Austria ... Sch. 20	Indonesia .. Rp 3100	Philippines . Pes. 20
Bahrain .. Din.0.650	Israel .... NS 3.50	Portugal .. Esc 100
Belgium ... BFr.45	Italy ...... L 1600	S. Arabia .. Rls 6.00
Canada ... C$1.00	Japan Y600	Singapore . S$ 4.10
Cyprus ... C£0.75	Jordan ... Fils 500	Spain .... Pta 125
Denmark . DKr 9.00	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Egypt .... E£1.50	Lebanon . £L 25.00	Sweden .. SKr 8.00
Finland .. Fmk 7.00	Luxembourg . LFr 45	Switzerland SFr 2.20
France .. FFr. 6.50	Malaysia .. Rm 4.25	Taiwan ... NT $65
Germany . DM 2.20	Mexico .. Pes. 300	Tunisia .. Din 1.375
Greece ..... Dr 80	Morocco .. Dh 6.00	Turkey .... L 350
Hong Kong . HK$ 12	Netherlands . Fl 3.00	U.A.E. ... Dh 6.50
India ... Rup. 15	Norway .. Nkr. 7.00	U.S.A. $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,144 — Tuesday January 27 1987 — D 8523 B

Nasa: haunted by the ghost of Challenger, Page 18

World news | Business summary

Two more abducted by gunmen in Beirut

Two fair-haired men, believed to be foreigners, were seized by gunmen in a west Beirut shop while 1,200 students were marching in pouring rain to protest at the weekend kidnapping of four university professors.

The students walked to the Prime Minister's office, chanting their demands, while major schools and universities with Western input shut down in a show of solidarity.

In Bonn, a Foreign Office spokesman said West Germany had evacuated staff and security guards from its embassy in west Beirut to the Christian eastern sector. **Page 20**

Aquino allows march

Ten cabinet ministers took to the streets of Manila to defend the presidential palace against left-wing activists protesting at the fatal shooting of 15 peasants last week. President Corazon Aquino overruled military advice and ordered troops not to stop the march. **Page 4**

BT strike talks fail

Talks in London between British Telecom and the National Communications Union made no progress towards resolving the strike by some 10,000 telephone engineers which started yesterday. **Page 8**

US Falklands move

General John Galvin, head of the US Southern Command based in Panama, arrived in Buenos Aires on a visit which is unofficially confirmed to be related to the Falkland Islands dispute between the UK and Argentina. **Page 3**

Genoa violence

Genoa dockworkers who are refusing to accept a national pay agreement attacked their own leaders, accusing them of selling jobs. Ashtrays and insults were hurled and microphones ripped out of leaders' hands. **Page 2**

No Wapping inquiry

British Home Secretary Douglas Hurd resisted calls from opposition MPs for an independent, public inquiry into the weekend's violent scenes outside the Wapping, east London, plant of Rupert Murdoch's News International. **Page 8**

Hawke peace mission

Australian Prime Minister Bob Hawke arrived in Israel saying he wanted to discuss Middle East peace. He is likely to hear conflicting versions of where Israel stands on the issue of an international peace conference. **Page 4**

Grave bribes issue

Gravediggers in the eastern Siberian city of Magadan refused to bury the dead unless they were given bribes of money and vodka, the Soviet newspaper *Izvestia* reported. The racket was finally exposed when two gravediggers were shot dead in a quarrel. **Page 2**

Angolan battle

South African-led security forces killed 61 guerrillas of the South-West African People's Organisation and several Angolan Government troops in a raid deep inside southern Angola, defence headquarters said in Windhoek, the Namibian capital. **Page 4**

Palme prosecutor ill

Chief Prosecutor Claes Zeime, 62, the man leading the hunt for the killer of former Swedish Prime Minister Olof Palme, is to leave the inquiry because of ill health, the national prosecutor's office said. He was taken to hospital after an asthma attack.

Strike halts Argentina

A 24-hour general strike aimed at President Raul Alfonsin's economic policies shut down industry, transport and commerce in Argentina.

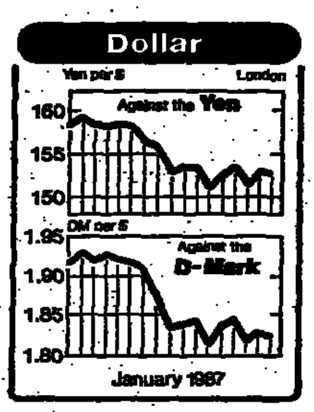
EEC acts to avoid trade war with US

EEC-US TRADE: Prospects of imminent trade war receded sharply after 12 Community Finance Ministers agreed significant concessions to obtain a settlement with the US. **Page 20**

EXXON, world's biggest oil company, regained its position as the biggest profit-earner in corporate America by reporting a 10 per cent rise in 1986 net income to $5.36bn. **Page 21**

FRENCH telecommunications authority, Direction Générale des Télécommunications, has reported a decline in net earnings to FFr 7.1bn ($1.2bn) last year from FFr 11bn the year before. **Page 22**

FIREMAN'S FUND, US insurance company spun off in 1985 by American Express, earned $228m in 1986 after a $45m loss in 1985. **Page 21.**



DOLLAR closed in New York at DM 1.8240; SFr 1.5330; FFr 6.0865 and Y152.80. It fell in London to DM 1.8230 (DM 1.8255); it also fell to FFr 6.0825 (FFr 6.0950); to SFr 1.5315 (SFr 1.5370); and to Y152.65 (Y153.05). On Bank of England figures the dollar's index was unchanged at 104.3. **Page 35**

STERLING closed in New York at $1.5235. It rose in London to $1.5280 ($1.5230); it also rose to DM 2.7850 (DM 2.78); to FFr 9.2950 (FFr 9.2825); and to Y233.25 (Y233); but remained unchanged at SFr 2.34. The pound's exchange rate index closed unchanged at 73.0. **Page 35**

GOLD rose $4 on the London bullion market to close at $407. It also rose in Zurich to $407.25 ($403.25). In New York the February settlement was $411.30. **Page 34**

TOKYO: Large-capital steel and shipbuilding stocks were active in record-breaking trading. The Nikkei average jumped by over 180 points in early trading but closed only 15.24 up at a record 19,554.72. **Page 42**

LONDON: The stock market was pulled down sharply by a bearish Wall Street and uncertainty over the pound and the dollar. The FT-SE 100 index closed down 13.5 at 1,781.8 and the FT Ordinary index lost 17.4 to finish at 1,406.5. Gilts drifted lower. **Page 42**

WALL STREET: The Dow Jones industrial average closed up 5.76 at 2,107.28. **Page 42**

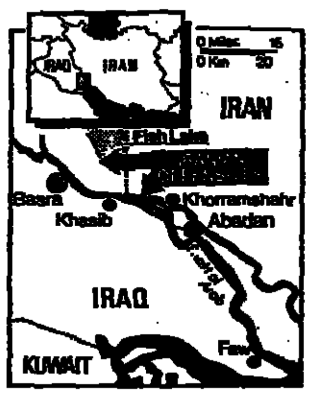
BAKER International's bid for Hughes Tool, which would create one of the world's largest oil field service companies, has been jeopardised by the US Justice Department's decision to challenge the deal on anti-trust grounds. **Page 21**

NORTHERN TELECOM, Canadian telecommunications equipment maker, staged a strong comeback in the final three months of 1986, with net earnings rising to US$125.9m, or US$1.07 a share, from US$83.8m, or 72 cents a share, a year earlier. **Page 21**

SINGER, US aerospace, marine electronics consumer products group, lifted fourth-quarter net earnings from continuing operations by more than 46 per cent and forecast significant growth for 1987. **Page 21**

Iran's war effort moves closer to victory

BY TONY WALKER, RECENTLY WITH IRANIAN FORCES AT THE GULF WAR FRONT



IRAN is making inexorable progress in the Gulf War. Its latest offensive has achieved significant gains and may well have brought it a step closer to realising its declared aim to exert sufficient pressure on the Iraqi regime to bring down President Saddam Hussein.

Iran claimed yesterday to have destroyed three Iraqi brigades in an overnight three-pronged attack east of Basra. It said that the fourth and seventh brigades of the Presidential Guard Division had suffered heavy losses together with the 443rd infantry brigade.

A military spokesman said that the offensive took place "west of Fish Lake along the Dual Canal and west of the Jasim river."

A local Iranian commander was quoted by the Iranian newsagency as saying that the attack had been aimed at pre-empting a planned counter-attack by Iraqi forces designed to be used "for propaganda on the eve of the Islamic summit meeting in Kuwait."

Efforts to end the Gulf War are scheduled to be one of the main items on the agenda of the Islamic Conference Organisation's summit conference which opened in Kuwait yesterday.

Iraq insisted yesterday that Iran's offensives had failed and it had suffered huge casualties. But the pattern of events in the Gulf War is moving against Iraq. Iranian advances are testing Iraq's defences. The results, from Baghdad's standpoint, have not been encouraging.

The question is whether Iran, whose economy has been undermined by 6½ years of war, can keep it up. The consensus among western observers in Tehran is that it can, although at increasing cost to its own economic well-being.

War weariness is apparent among Iranians, but commitment to the cause of defeating Iraq appears firm. People have been encouraged by the latest successes and believe the end may now be in sight.

Western officials in Tehran say that the Iraqi strategy of bombing civilian targets has backfired. "It doesn't seem to have generated pressure to stop the war," said one official. "It just makes people angry."

Iran's war effort has been formidable, considering the difficulties it has faced in resupplying its predominantly American-equipped military.

A striking development in the past year has been Iran's more effective use of resources. Numbers engaged in new thrusts against Iraqi defences have been scaled down. Objectives are less grandiose.

Last year's Faw offensive, when Iranian troops crossed onto Iraqi territory at the head of the Gulf, was a well executed operation that relied on a relatively small attacking force by Iranian standards. Likewise, the latest Kerbala-5 operation east of Basra was spearheaded in its early stages by a few divisions of Revolutionary Guards supported by the regular army.

Numbers engaged in the initial thrust totalled about 25,000. These attacking divisions have subse-

Continued on Page 20

UK nuclear power study backs plan for new reactor

BY DAVID FISHLOCK AND MAX WILKINSON IN LONDON

A MAJOR REPORT into the future of nuclear power in Britain yesterday stated emphatically that the technology involved in Pressurised Water Reactors (PWR) was safe and substantially cheaper than electricity generation by other means.

> **Britain should go ahead with plans to build a new nuclear reactor, according to the report of a four-year long inquiry, because it is:**
> - **Sufficiently safe to be tolerable "providing that there is expected to be economic benefit sufficient to justify the risks incurred";**
> - **Likely to be "the least cost choice for new generating capacity", which should go ahead without delay;**
> - **A "massive intrusion" environmentally but one which can be justified by national need.**

into the proposal for Britain's first Pressurised Water Reactor at Sizewell on the Suffolk coast in eastern England, is by far the most exhaustive undertaken in any western country in recent years.

Although it does not specifically deal with the implications of the accident at Chernobyl in the USSR in the spring, is says clearly that the PWR technology as proposed in the UK could almost certainly not produce an accident causing major loss of life.

The 3000 page report is likely to be studied carefully by nuclear experts throughout the world, since the proposed British reactor is based on a design by the US company Westinghouse, which has been responsible for designing most of the PWR's in Europe and Japan.

The eight-volume report by Sir Frank Leyfield, QC, the inspector, says that building work on the £1.6bn pressurised water reactor (PWR) should start soon if it is to be ready to meet the rising electricity demand expected in the mid 1990s.

Sir Frank says that in appearance the new power station would be a "totally inappropriate intrusion into the Suffolk countryside." Nevertheless, he recommends unambiguously that permission to build it should be granted on grounds of national need.

In his long and thorough report, Sir Frank dismisses the view that disposing of radioactive waste or dismantling old nuclear plants would present serious obstacles to going ahead with the project.

He also rejects the competing claims of Britain's existing advanced gas-cooled reactors (AGRs) against the US-designed PWR proposed for Sizewell. He says the AGR is unlikely to produce electricity as cheaply as the PWR, even though it might do better than the Central Electricity Generating Board (CEGB) suggested in its evidence to the 340-day enquiry.

But he rejects the 12 arguments put forward for refusing consent on grounds of safety. These range from the contention that nuclear power cannot be used safely, to complaints of inadequate emergency plans for an accident.

The report says an accident "would almost certainly have tolerable consequences, at worst requiring measures such as the banning of milk near the station." Accidents which were theoretically possible, causing hundreds or thousands of deaths, "would almost certainly not occur."

The report also rejects the notion that the PWR is inherently unsafe, or inherently less safe than gas-cooled reactors of the kind Britian is operating at present.

But it expresses reservations whether the CEGB will be able to keep the exposure of its maintenance staff to radiation as low as it wishes, and recommends that the matter be monitored by the nuclear inspectors.

The report emphasises that any serious grounds for worry on safety would have been enough to warrant withholding planning consent. It estimates that over the expected 40-year life of the station one, perhaps two, of its staff may die of radiation-induced cancer, and one will die of another occupational hazard.

But the inspector makes recommendations which could lead eventually to a tightening of the limits of radiation exposure for CEGB staff.

He acknowledges that, in reaching his conclusions on safety, he is placing much reliance on the CEGB and the nuclear inspectors to provide "continuing assurance of safety," but expresses confidence that this is justified.

The argument that Sizewell B might lead to an increase in production of plutonium for military use is rejected.

The report expresses some major anxieties about the environmental aspects of the plan. However, it also expresses some confidence that the CEGB will do its best to minimise disturbance to local residents and will adopt landscaping suggestions to reduce its obtrusiveness

Details, Page 10; Editorial comment, Page 18

IBM launches mainframe in move to curb slide in profits

BY TERRY DODSWORTH AND ALAN CANE IN LONDON

IBM, the world's leading computer manufacturer, moved yesterday to stem the two-year slide in its profits with the launch of a family of top-of-the-range machines billed as the most powerful the company has ever produced.

The new products reassert IBM's position, built up over the past 30 years, as the leading supplier of mainframe computers to corporate clients, a position that had come under threat in the past few months as competitors launched machines of equivalent power with better performance for less money.

DEC, the Massachusetts-based group, for example, has launched powerful minicomputers which can be grouped together to achieve performance equivalent to a large mainframe. Mr Robert Fertig, a consultant specialising in IBM, said yesterday: "With these new machines, there is no valid reason not to buy IBM."

One of the features of the new range is that it will allow customers to enhance their existing mainframe machines in the 3090 family with add-on components. This means that customers do not have to buy a whole new computer to achieve significant power increases, although there will be a new high-level machine, the Model 600, which will yield much more power than IBM has ever made available before.

Dealers believe that this approach could give a welcome boost to IBM, which in the past has been accused of making product improvements to force customers to buy expensive new machines. "The company will be able to argue that by providing enhancements it has not made customers' existing investment obsolete," said Mr Ashley Mitchell, a director of United Leasing, the UK computer leasing company.

In addition, analysts believe the new products should help IBM's profitability after a harrowing period which saw profits fall last year by 27 per cent to $4.8bn. By avoiding the cost of the investment in an entire new range of equipment, the company should be able to generate healthy margins on the add-on equipment.

The group's ability to enhance its current range of machines using a building block process vindicates its heavy investment in previous years in sophisticated semiconductor chips and the ways of building those chips into computers.

The new machines depend heavily for their power on a high-speed chip technology emitter coupled logic and memory chips which store 1m individual bits of information. They are packaged in metal units and cooled by circulating water, and IBM can build more powerful computers simply by adding on more of these units.

Pentagon's war on imports, Page 29

Kohl in clash with Strauss over poll losses

BY PETER BRUCE IN BONN AND ANDREW FISHER IN FRANKFURT

INFIGHTING among West Germany's Conservative leaders yesterday following their sizable loss in Sunday's general election, threatened difficulty for the process of assembling a new coalition Government.

West German business, however, reacted positively to the election result, which saw Chancellor Helmut Kohl's coalition returned to power but with the small free marketeering Free Democrats (FDP) in a much stronger position.

In a series of exchanges Mr Kohl, leader of the Christian Democatic Union (CDU) the coalition leader, exchanged sharp words with Mr Franz Josef Strauss, chief of the CDU's Bavarian sister party, the Christian Social Union. The two men are due to meet tomorrow for preliminary coalition-building talks.

The CDU/CSU share of the vote fell from 48.8 per cent in 1983 to 44.3 per cent, its worst result since 1949. Mr Kohl quite clearly blamed Mr Strauss's constant public attacks on the FDP for part of the losses.

He spoke pointedly of a debate within the coalition "that took place beyond the CDU", leading Mr Strauss to warn the CDU leadership against "any sort of apportioning of blame" for the setback. He said it was "feeble minded" to suggest that gains made by the FDP, which increased its share of the vote more than 2 points to 9.1 per cent, had anything to do with the CSU.

Mr Heiner Geissler, the CDU's general secretary, insisted however, that CSU attacks on foreign policy under the FDP's Mr Hans-Dietrich Genscher were "water for the mills of the FDP and were to that extent a classic own goal."

Although the CDU/CSU and FDP coalition's majority in the Bundestag parliament in Bonn remains comfortable – it has been trimmed by 17 seats to 41 – the FDP now has almost as many seats as the CSU. That increases the likelihood of further friction.

The opposition Social Democrats (SPD), who surprised many commentators by slipping only one point to 37 per cent to record their worst result since 1961, appear to have been gripped by an urgent need to revise their cool relationship with the radical Greens, who boosted their vote from 5.6 per sent to 8.3 per cent.

A number of party leaders, including Mr Oskar Lafontaine, the Saarland premier, and the Bavarian SPD leader spoke out for closer ties with the Greens, thereby casting the first stone in what promises to be a bruising battle between them and party moderates for control of policy and for the party chairmanship when Mr Willy Brandt retires next year.

Although share prices fell sharply in Frankfurt yesterday, dealers blamed continuing fears about the US dollar and last Friday's spectacular slide on Wall Street. The Commerzbank index lost nearly 50 points to stand at 1,862.8.

Nevertheless, Mr Günther Mecklenburg, a general manager of BHF Trust, said that "the election is not so bad for the market," particularly as the FDP, with increased influ-

Continued on Page 20

Lambsdorff awaits recall, Page 2

Britain's takeover code 'may have to be replaced'

By Hugo Dixon and Clive Wolman in London

BRITAIN'S Takeover Panel, the voluntary body which has responsibility for enforcing the City of London's takeover code, may have to be replaced by a statutory system, Mr Robin Leigh-Pemberton, the Governor of the Bank of England, warned last night.

At a dinner given by the Institute of Bankers in Scotland, the central bank governor discussed transactions that are alleged to have taken place during Guinness' controversial bid for Distillers last year.

"They suggest not only specific breaches of the law and of the accepted canons of best practice, but a threat to the entire basis of trust which still predominates in our business life and in the City of London in particular," he said.

The Panel's speed and flexibility were advantages that should ideally be preserved, he said. "But if practitioners do not respect the system, we shall have little choice but to replace it with one incorporating statutory powers of enforcement and statutory sanctions."

In a clear reference to the part played by the Bank of England in securing resignations last week from Morgan Grenfell and Ansbacher, two merchant banks involved in the Guinness affair, he said that recent events should have made it clear that "working within a statutory system our influence can be decisive and firm".

He also denied that the Guinness affair was entirely a City scandal. "The main focus of the disclosures we are seeing is the conduct of a non-financial company in relation to its shareholders and those of other companies," he said.

Meanwhile, after the resignations of directors of Guinness and of its merchant bank adviser during the takeover battle, Morgan Grenfell, attention has focused increasingly on the role played by Guinness' two other advisers during the battle. These were the stockbroking firm Cazenove and Co and the solicitors Freshfields. The position of Mr David Mayhew, a Cazenove partner who was closely involved in planning the daily stock market operations in support of Guinness during the bid, is considered particularly vulnerable.

The London Stock Exchange said that its officials had been holding discussions with some of the partners of Cazenove, and also with other stock exchange firms involved in the bid, over the past few weeks. But it said that, so far, it had not put any pressure on Cazenove to

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CONTENTS

Peter Bruce assesses the effect on the FDP of its strong poll showing

Lambsdorff awaits recall to the colours

MR MARTIN BANGEMANN, the West German Economics Minister and leader of the Liberal Free Democrats (FDP) who did so well in Sunday's general election, held a first post-poll coalition discussion with Chancellor Helmut Kohl yesterday afternoon.

It cannot have been an easy meeting for Mr Kohl. His Christian Democrats (CDU) shed votes all over the place, while the FDP, junior partner in his coalition, picked up strongly. Now, the Chancellor faces a difficult few weeks, possibly months, as he tries to put together a government which will satisfy the Liberal's understandable desire for a greater say in cabinet.

Mr Bangemann was acting the model party leader yesterday. There was no time pressure on Mr Kohl. No, he did not know when serious coalition talks would start. But all the signs are, despite diplomatic denials; that the FDP will want at least one extra minister to supplement the three they already have—Mr Bangemann,

Mr Hans Dietrich Genscher, the Foreign Minister, and Mr Hans Engelhard, the Justice Minister.

In the wings waits one of West Germany's most colourful and incisive politicians, Count Otto Lambsdorff, a former Economics Minister who became entangled in the so-called Flick bribery affair and is now on trial for tax evasion.

It is a much lighter charge than the one of corruption which he first faced but which has been dropped. Judgment is due on February 16, the day before Parliament in Bonn is due to resume and, theoretically at least, the Count could start the new session a free man. Even a guilty verdict on the remaining charge would not be too damaging.

"As soon as he has got this process behind him he will be available for high office," said Mr Bangemann yesterday. What could he do?

The Count himself has modestly suggested that he would be satisfied to be FDP floor-leader, but he is a fish out of water out of cabinet. Although Mr Kohl is almost certain to want to remove the ineffectual Mr Engelhard as Justice Minister, such a position would be difficult to offer to Count Lambsdorff considering the current legal proceedings against him.

The Liberals, though, will be loathe to give up Justice, where they have been able to prevent some the harsher anti-demonstration laws proposed by Mr Kohl's Bavarian partner, Mr Franz Josef Strauss, from being enacted.

That might mean Mr Bangemann taking that portfolio to make room for the Count back at the Economics Ministry where he has been much missed by civil servants. This would still leave the FDP claiming another ministry but both Mr Bangemann and Mr Genscher will be careful not to psuh Chancellor Kohl too hard because their party has nowwhere else to go. A coalition again with the Social Democrats would not bring them a parliamentary majority and the two parties have anyway drifted far apart since they split in late 1982.

The FDP may, in return for supressing its craving for more cabinet power, be able to win promises of greater CDU support for pet causes, notably the speeding up of decision-making on a DM40bn (£14bn) tax reform vaguely planned for the 'nonties.

Because of its good result last Sunday, when its share of the vote rose more than two points to 9.1 per cent, the FDP will also be a much tougher opponent in cabinet on security issues.

Mr Strauss, from his home base in Munich, ran a virulent campaign against the Liberals, accusing them (among many other "crimes") of being partly responsible for terrorism because of their refusal to agree to the introduction of a system offering freedom to terrorists who surrender and give evidence against former colleagues. The issue is bound to come up again, but the FDP will be able to beat back Mr Strauss with new confidence.

Asked why his party had done so well, Mr Bangemann remarked merely: "We stuck to the issues. We didn't attack our coalition partners and you can't say that about the CSU (Mr Strauss's party). People who start trouble in the coalition simply damage themselves."

Mr Rau and his wife voting in Wuppertal on Sunday

Rau remains a local hero in home town

BY HAIG SIMONIAN IN WUPPERTAL

ONLY THE obvious police presence distinguishes the modest villa in Katernberger Strasse of Mr Johannes Rau, 56, the Social Democrats' candidate for Chancellor and premier of the state of North Rhine Westphalia, who failed on Sunday to become West Germany's next national leader.

Yet, although he may not have succeeded in gaining power, there was little disappointment in his home town of Wuppertal yesterday, if a straw poll of locals was anything to go by.

Stretched out along a narrow river valley, Wuppertal the former home of Friedrich Engels and once the heart of the 19th century German textile industry, immediately calls to mind northern British mill towns like Bradford and Huddersfield.

The mills have almost all gone now, though a few scattered chimneys remain, but some of the social problems that turned Wuppertal into a socialist stronghold early this century still persist.

First among these is an unemployment rate that refuses to budge much below 10 per cent and a steadily declining population that has sunk to 383,000 compared with 420,000 just a few years ago.

Yet none of these did anything to knock the SPD off course here on Sunday. Mr Rau is very much the local boy, and his popularity shows. One election poster exorts voters in banner headlines to back him "because we Wuppertalers know him best." Not once is his SPD party mentioned.

Born and bred in Wuppertal, an eight-miles-long string of communities, Mr Rau served briefly as mayor between 1969 and 1970 before moving on to the state parliament in Duesseldorf.

Most voters acknowledge that his local support played a large part in helping the SPD to victory locally on Sunday. Not that either of the party's candidates for Wuppertal's two constituencies was a lightweight.

Mr Willfried Penner, who increased his share of the vote by 1.8 points to 47.1 per cent, was a junior Minister of Defence in the last SPD government under Mr Helmut Schmidt. And Mr Rudolf Dressler, who notched up 44 per cent this time, worked in the same government as a junior Minister for Employment. Both men scored well above the SPD's national turnout of 37 per cent.

The Christian Democrats fared less well; neither of its two little known candidates managed to get much more than 35 per cent of the vote, some 5 points down on last time.

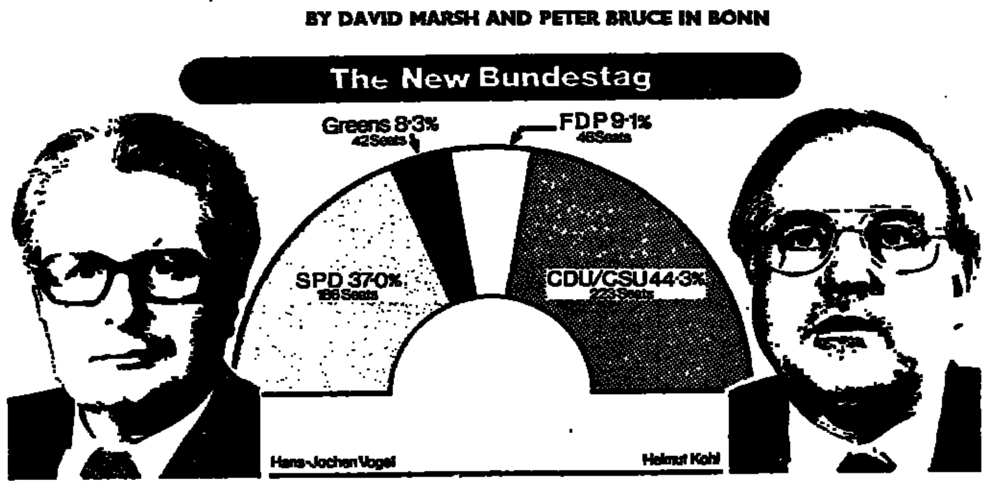
That may partly have been because even some local Conservatives flirted with voting for Mr Rau's party: one middle-aged woman said she would have been prepared to choose the Social Democrats "if it wasn't for all the others in the party."

Curiously, the Greens failed to make as much of an impact here as they did nationally. "Maybe because they're already in the town hall," said one cynic.

SPD leadership race gets off the mark

BY DAVID MARSH AND PETER BRUCE IN BONN

The New Bundestag



NOW THAT Sunday's general election is out of the way, the race is on for the leadership of West Germany's opposition Social Democratic Party (SPD), still trying to find vote-running direction after more than four years out of government.

A foretaste of likely strife within the party as attention turns to the next election in four years' time was served up yesterday. Mr Oskar Lafontaine, possible heir to 73-year-old Mr Willy Brandt as SPD chairman, offered an olive branch to the Greens ecology grouping.

He has the strong support of Mr Brandt, party chairman for 22 years, who has said he wants to retire in 1988. The other prime contender could be Mr Johannes Rau, the SPD's unsuccessful candidate for the chancellorship on Sunday.

Mr Rau yesterday told a closed session of party leaders he was not interested in the job. The rejection, however, had less than total credibility, given Mr Rau's long previous opposition to becoming chancellor-candidate.

As the party heads for more troubled waters, Mr Hans-Jochen Vogel, leader of the SPD in Parliament, has declared he will still be available to keep his hand on the SPD rudder over the next few years. But he already ran unsuccessfully for the chancellorship in the 1983 elections—and therefore will not be a candidate to lead the party into another bid for power.

Mr Brandt helped to decide in 1985 that Mr Rau, Premiere of North Rhine Westphalia, the country's most populous state, should be the challenger to Mr Helmut Kohl. However, Mr Brandt, frequently subject to changing moods and passions, signally failed to give him much support before the election. He at times even came close to disowning him, contributing to the party's overall electoral discomfiture.

Mr Rau, all the same, aided by a strong result on Sunday in his home state and a popular show of doggedness in the face of overwhelming odds, did less badly than expected. And despite his disclaimers yesterday, he has come out of the election with a good claim as the moderate candidate for Mr Brandt's job.

Mr Lafontaine, Premiere of the coal-mining state of the Saar, is a much more aggressive and confrontational figure than Mr Rau.

A fierce opponent of nuclear energy, he believes that West Germany should leave the military command structure of Nato—both positions which have much in common with the stance of the Greens.

Speaking to a packed room of journalists in Bonn, he bluntly termed as "wrong" Mr Rau's steadfast line, maintained throughout the election campaign, of refusing any alliance with the Greens.

Claiming that a majority existed within the SPD in favour of a link-up, he declared that the Rau policy "cannot be the basis of our future."

With the Greens still enjoying the flush of victory, yesterday after winning 8.3 per cent of the votes on Sunday, Mr Lafontaine's overtures were treated with some scorn.

Ms Jutta Ditfurthr, one of the most popular and vituperative members of the Greens' organising committee, said yesterday that Mr Lafontaine represented no more than another "Hollywood boy" being groomed by the SPD to take over now that the previous "hero," Mr Rau, had fallen by the wayside.

She believed Mr Lafontaine was offering no more than "an illusion" of co-operation with the Greens.

Declaring that the Greens' 60 per cent increase in its share of the vote on Sunday was "the only growth rate in Germany not aimed against people and nature," she said that behind Mr Lafontaine's talk of collaboration was the same "technocratic growth policy" that the SPD had always favoured.

The war of words between the SPD's left and centre factions is likely to go on. Between now and next year's special conference, when Mr Brandt is planned to step down, the party chairman's brooding influence is likely to disrupt and distort the process of choosing his successor.

To spare the SPD further tribulations, a growing number within the party may come to the conclusion that Mr Brandt's best way of serving the party would be to go sooner rather than later.

Siberians forced to dig deep for a grave

By Patrick Cockburn in Moscow

GRAVE-DIGGERS in the eastern Siberian city of Magadan refused to bury people unless their relatives bribed them with money and vodka. Their racket was only exposed when two grave-diggers were shot dead by a drunken taxi driver in a quarrel over a gambling debt, according to the evening newspaper Izvestia.

Details of the seamier side of Soviet life exposed in muckraking articles like this are compulsive reading for many ordinary Soviet newspaper-buyers. But even by the new standards of openness (*Glasnost* in Russian) the events in Magadan, a city of 150,000 people on the Soviet Pacific coast, are bizarre.

There was no way of getting buried in the city without first supplying vodka for the men to prepare the coffin and dig the grave and then paying from between Roubles 200 to Roubles 500 (£200-£500), according to an on-the-spot means test conducted by the grave-diggers.

When Mr Yuri Khelev's adult son died suddenly, Zaitsev, the chief grave-digger, said he wanted Roubles 300 in return for a good place in the cemetery. Even then, other members of the team refused to carry the coffin unless they received five bottles of vodka.

The undertakers of Magadan, known locally as "the Golden boys", also controlled the city's supply of illegal liquor, now in short supply as a result of the anti-alcohol laws introduced across the country in 1985.

A local nightwatchman said: "if it's already night time and you want a drink — the only place in Magadan you can get vodka at that time is the undertakers' office. The boys always have some supplies laid by."

They also liked to play cards and this was the cause of their downfall. A former taxi driver named Baranov claimed to have won Roubles 2,000 and when they refused to pay up he, in an advanced state of durnkenness, shot two of them dead.

Magadan's public prosecutor is gloomy about the standards of honesty in the local undertaking business. He said: "Today's swindlers will be replaced by others tomorrow who will do exactly the same, except that being armed with experience of their predecessors they will be more cunning about stealing from people."

His gloom is shared by the Izvestia correspondent who writes that "this dreadful situation can also be seen in other cities and towns of the Magadan province."

He singles out in particular a case in the town of Bilibino where a drunken nightwatchman, in charge of a small morgue, sold it for Roubles 300.

It is not clear why anybody should want to buy a morgue, but when doctors arrived next morning to conduct a post mortem thew found it had simply vanished.

French ease advert curbs in Aids battle

BY PAUL BETTS IN PARIS

THE FRENCH Government will lift the long-standing ban on television advertising on contraceptive sheaths in the next few days as part of its campaign against sexually transmitted diseases.

The move will be followed by a campaign to increase public awareness of the acquired immune deficiency syndrome (Aids). The campaign is due to be launched by the authorities in the spring.

The lifting of the television ban forms part of the government's increasing efforts to combat Aids. Condoms have been recognised as one of the most affective defences against the spread of the virus.

Health Ministry officials confirmed yesterday that the television advertising ban on contraceptive sheaths would be abolished "in coming days." enabling manufacturers to promote their products on national television at prime viewing hours.

However, advertisers will have to submit their commercials for government approval. "It is clear that the authorities intend to control carefully the commercials to avoid upsetting viewers," a health official said.

She added that a separate public awareness campaign on Aids would be launched at Easter by Mrs Michele Barzach, the Health Minister. The Minister, a gynaecologist by profession, has been extremely active publicising the Government's plans to tackle Aids and other sexually transmitted diseases.

France claims to have the highest number of Aids cases in the EEC. The latest official figures put the number of cases since 1982 at 1,050, of which 46.8 per cent have proved mortal.

However, medical experts suggest the figure is higher, estimating the number of Aids cases at 1,400-1,500.

The authorisation of television advertising for contraceptive sheaths is also particularly significant in a country where until recently they were only available at chemists. Mrs Barzach has indicated she favours the introduction of condom vending machines in

Manufacturers are also pressing for the introduction of vending machines in lycées and higher education colleges.

As part of its prevention campaign, the government is also considering liberalising the sale of syringes—shared needles are regarded by doctors as a major cause of the spread of Aids among drug addicts.

Mrs Barzach recently suggested she would favour such a move, although it could pose the government a major communication problem in its parallel fight against drug abuse.

The Government has already launched an anti-drug campaign. The liberalisation of the sale of syringes could risk clashing with this campaign, and has so far prompted the Government to maintain the current regulations on prescriptions for syringes.

Outlook improves for labour pact in Spain

BY DAVID WHITE IN MADRID

PROSPECTS for a new framework labour agreement between Spanish employers and unions appeared to brighten yesterday after exploratory talks between government ministers and leaders of the CEOE employers' federation.

However, Mr Jose Maria Cuevas, the CEOE chairman, warned that the Socialist UGT labour federation — the country's largest and the most likely partner in a new agreement — would have to lower its demands. Otherwise, the employers would "not sit down to negotiate."

Mr Cuevas said talks with Mr Carlos Solchaga, the Economy Minister, and Mr Manuel Chaves, Labour Minister, had shown "a large measure of agreement."

The Government has made clear that it is not prepared to confront the unions by proposing changes in Spain's strict redundancy laws, but that it would like to make the labour market more flexible in other ways. These reforms would affect labour mobility, working hours and pay structures.

Violence in Genoa port dispute

By Alan Friedman in Milan

THE GENOA port authority yesterday threatened its dockworkers with legal action unless they put into action today the agreement reached by their union leaders on new working practices.

More than 3,000 Genoa dockworkers are refusing to accept the nationally negotiated labour accord. A meeting of national union leaders and shop stewards at the weekend ended in violence when union members accused their leaders of selling out their interests and jobs.

Ashtrays were hurled at them, microphones ripped from their hands and insults shouted by many of the 200 shop stewards present.

The clash, which forced several union leaders to run from the room, was described by Mr Walter Galbusera, deputy secretary of Uil the third airgest union in Italy, as a sign that public order may soon be threatened in the city.

"The situation is becoming very dangerous. These are militants whose use of physical violence could be just the beginning," he warned.

He compared them with militant members of Britain's National Union of Mineworkers. "For Italy, the Genoa port issue is in some ways similar to the miners' position in Britain. The militants will lose eventually, but we could be in for a real struggle and violence," he said.

The disputed agreement, reached two weeks ago, followed six weeks of labour strike in Genoa. The accord reduces the number of workers handling container ships and puts an end to the system which allows the local workers' association to have effective control over shipping tariffs.

The association has decided for years who works, and has collected huge fees from shipping companies. Its members work fewer than 10 days a month average and are paid from a fund which has been built up over many years.

It is also a militant wing of the Communist Party, and at the same time a great embarrassment to the party's leaders.

Nato hopes to begin new troops talks soon

BY PATRICK BLUM IN VIENNA

NATO HOPES to begin preliminary negotiations with the Warsaw Pact "within the next few weeks," on a new set of talks on reducing conventional forces in Europe," Mr Warren Zimmermann, head of the US delegation at the Conference on Security and Co-operation in Europe (CSCE), said here yesterday.

It will propose formally next month "talks about talks" be started with the aim of winning Soviet and Warsaw Pact approval on a format, mandate and timetable.

[illegible]

The move follows agreement in principle by Nato at its end-of-year foreign ministers' meeting to open new negotiations on reducing conventional forces in Europe "from the Atlantic to the Urals." This was its first formal response to an appeal for such talks made at a Warsaw Pact meeting in Budapest last June.

Once agreement is reached on a mandate, the negotiations would "in time" supersede the 13-year-old but deadlocked Mutual and Balanced Force Reduction (MBFR) talks in Vienna. "It stands to reason that there would be no need for two sets of negotiations" covering similar grounds, Mr Zimmermann said.

The Warsaw Pact has indicated on several occasions that it would like new talks to take place within a second phase of the 35-nation disarmament conference in Stockholm and as part of the CSCE process. Nato, however, is proposing an entirely separate set of negotiations which would only be related very loosely—if at all—to the CSCE process. The Western alliance will also seek ways to extend the CSCE process in the field of confidence building measures on the lines of those agreed in the first phase of the Stockholm conference.

The new talks on conventional forces to take place in Vienna would differ from the MBFR negotiations in two important ways, Mr Zimmermann said. They would involve all Nato countries, including France, which is not a member of the integrated military structure and which does not participate in the MBFR talks. They would also cover a much broader area than the MBFR talks, which aim at reductions only in the central European theatre.

Mr Zimmermann said it was necessary to limit the new talks—at least initially—to members of the two alliances because both "consist of a system of obligations" which binds them together. This was not the case with the neutral and non-aligned countries. The 16 Nato countries would participate "on the basis of a common position," he said. Ways would be found to keep the neutral and non-aligned countries informed of developments.

The CSCE reopens today for an additional week devoted to reviewing the participating states' compliance on human rights commitments under the Helsinki Final Act. In the following weeks discussions will focus on proposals to extend the CSCE process.

The Soviet Union and its allies have already submitted several proposals and western nations are expected to make a more limited number of proposals which will tend to focus on improving implementation of agreements.

Danish public sector workers in wages pact

By Hilary Barnes in Copenhagen

DANISH public sector employees will receive wage increases averaging 6 per cent a year over the next two years and a cut in the working week from 39 to 37 hours by 1990 under wage agreements concluded between the trade unions and the Government yesterday.

The agreements follow wage settlements in industry last week. These also mean a cut in the working week to 37 hours over the next four years, while hourly wage rates are expected to rise by between 3 and 5 per cent both this year and next.

The agreements in the public and private sectors were welcomed by both sides of industry as averting the danger of major labour conflicts this spring.

● Denmark's trade gap widened DKr 13.1bn (£1.2bn) last year, compared with DKr 12bn in 1985, according to preliminary trade figures published yesterday.

Exports fell by 4.3 per cent to DKr 171.4bn and imports dropped 3.6 per cent to DKr 184.6bn.

In December, exports were down by 6 per cent to DKr 13.1bn and imports by 12.7 per cent to DKr 14.8bn, cutting the deficit to DKr 1.6bn, compared with DKr 2.9bn in December 1985.

US study urges Sweden to be flexible on exchange rate policy

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

SWEDEN SHOULD adopt a flexible exchange rate policy in order to maintain the country's international competitiveness, according to a major study on the Swedish economy published yesterday by the Brookings Institution, the US research institute.

In attacking one of the main tenets of present Swedish economic policy the report declares that "it is not sensible to penalise Swedish investment by using monetary policy to defend an exchange rate that wage increases are rendering untenable."

The Brookings Institution study of the development of the Swedish economy underlines through comparisons the dangers to the US economy of massive increases in the deficits of the public sector and the trade balance.

"Sweden in the 1970s, like the US in the 1980s, maintained consumption at unwarranted levels by running large budget deficits and borrowing abroad."

The report suggests that "those in the US who question the need to reduce the budget and trade deficits should examine the Swedish experience."

Sweden has paid a heavy price for living beyond its means and has only partially redressed the errors of past unwillingness to bring public and private consumption into line with lower potential growth in income.

The report accepts that the present Social Democratic Government has admitted the need for retrenchment and has taken important steps in this direction, but it warns that "many more painful choices lie ahead." The pain can be disguised and delayed for a while—with increased long-term costs — as occurred in the 1970s. But it cannot be avoided.

It points to the main weakness of Swedish economic development lying in an inability to control wage costs and inflation. "Some way must be found, either by incomes policy or allowing a rise in unemployment to keep money wages from increasing more rapidly than warranted by Sweden's competitive position."

The Brookings Institution researchers reject popular claims that Sweden's economic problems of the 1970s were the result of a crisis of the welfare state.

Their report says that "despite the heavy commitments to wage equalisation and high employment the economy has proved responsive to structural change." There is no evidence of any long-term decline in the competitiveness of Sweden's manufacturing sector.

"The Swedish experience does not support the claims of those who believe that a large public sector and high tax rates necessarily lead to rigidities and stultification of the private economy."

Sweden's balance of trade showed a surplus of SKr 32.6bn (£3.27bn) last year, compared with SKr 15.9bn in 1985, according to the Swedish central statistical office, writes Sara Webb in Stockholm.

The value of exports increased by 2 per cent to SKr 264.8bn in 1986, while the value of imports fell by 5 per cent to SKr 232.2bn.

While lower oil prices meant an increase of about SKr 19bn in the trade balance, this was partly offset by an increase in the volume of oil imports.

Excluding oil and ships, the value of imports increased by 4 per cent, showing strong growth in the autumn, while exports increased by 3 per cent.

Minister visits massacre site

By David Barchard in Ankara

THE TURKISH Interior Minister, Mr Yildirim Akbulut, yesterday visited survivors of last Mriday's massacre in eastern Turkey when ten villagers were killed by Kurdish terrorists from the PKK, the Workers' Party of Kurdistan.

The attack came less than 24 hours after eight people died in neighbouring Hakkari province after hand grenades were tossed down a chimney. Both attacks appeared to be aimed at the homes of local "village protectors" whose job is to shield communities from Kurdish guerrillas.

Turkey has been fighting a virtual guerrilla war in its eastern provinces against Kurdish separatists since August 1984. Several hundred people have lost their lives. However, the majority of Turkey's estimated 6m Kurdish speaking inhabitants are believed to be loyal to the central government which has periodically issued weapons to villagers to protect themselves.

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US seeks to defuse Falklands tension

By Tim Coone in Buenos Aires

THE US is seeking to defuse tension between Argentina and Britain which could arise after February 1 when a 150-mile fisheries conservation zone comes into force around the disputed Falkland Islands.

This is the explanation being given here for the unexpected arrival at the weekend of General John Galvin, head of the US Southern Command based in Panama.

Officially his visit is being described as routine; but according to one well informed Government source, "it cannot be denied that the issue of the Malvinas (Falklands) conflict was a principal motive of the talks."

Gen Galvin yesterday met Mr Horacio Jaunarena, Argentina's Defence Minister, and Gen Teodoro Waldner, head of the Argentine Joint Chiefs of Staff. The Southern Command post traditionally covers responsibility for the Southern Hemisphere. One suggestion was that he was seeking to establish agreement on basic ground rules about military activity in or near the fisheries conservation zone in order to avoid any possible clash.

Gen Galvin is also understood to have discussed new equipment needs for the Argentine armed forces. Although the armed forces have made good their 1982 losses in the Falklands conflict, their aircraft are increasingly old. The Government wants to replace its Skyhawks and Mirages with US Phantoms—at least to cover a gap through to the early 1990s before it could hope to satisfy its own needs in co-operation with Brazil.

There has been considerable press speculation in recent weeks over attempts to renew bilateral talks between Britain and Argentina but which has been strongly denied by both countries.

Yesterday, a 24-hour general strike paralysed Argentina's ports, most of the public transport system, left government offices and banks closed or working with only skeleton staffs, and, according to early reports, left most of the country's factories idle.

The few buses and trains that were running were almost empty.

This is the eighth general strike organised by the General Workers' Confederation (CGT) during the Government of President Raul Alfonsin.

Washington waits for Reagan to take command

Critics have not been slow to draw a parallel between the sense of drift that characterised the end of the Eisenhower administration and the disarray in Mr Reagan's government. Stewart Fleming reports as the President prepares to deliver his State of the Union address today in the hope that it will revive the failing fortunes of the Republican Party in the wake of the Iran arms scandal and growing worries about the economy

"BUT (the President) had not really been elected on the strength of his platform . . . he had been chosen most of all as a symbol of the nation's longing for tranquillity . . . the attraction of (his) optimism, the appeal of a president who limited his statements to the enunciation of lofty principles."

This, according to his biographer, Miss Doris Kearns, was the view of Lyndon Johnson, then Senate majority leader, as he assessed the waning years of Republican President Dwight Eisenhower's second term of office and analysed how the Democratic Party should set about winning the 1960 presidential election.

Historical parallels are never perfect, but it is possible to draw one as Ronald Reagan prepares to outline the agenda for his last two years in office in his sixth State of the Union address, to be broadcast tonight. Not only members of the rival Democratic Party but also some of his own officials question whether Mr Reagan will be able to inject new life into an Administration which has appeared more worn and divided over the past three months than President Eisenhower's did at any stage in the last two years of his presidency.

These similarities between the sense of drift at the end of the Eisenhower and Reagan administrations go beyond the ages of the two respective presidents.

America liked "Ike" but wondered about the time he was spending on the golf course and the extent to which he had delegated his duties to a powerful Chief of Staff. Today Mr Reagan is still personally popular. But the disarray in his Administration over the Iran arms-for-hostages deal, the widespread perception that Mr Reagan has lied about some of the background to the affair and the disclosures about his lack of attention to detail in the formulation of a major foreign policy initiative, have created the impression that Mr Reagan is no longer in command of his government.

Harsher critics are saying that recent events have confirmed the reality, that his hands-off style of management has often meant that Mr Reagan has rarely commanded the policymaking process in the White House, at least since his landslide victory in 1984.

Reagan: popularity slump

But disclosures about Mr Reagan's management style and the Iranian arms scandal are not the sole reasons for the slump in his opinion poll ratings and the collapse of the strategic defences—the "Teflon" shield which for the first five years of his presidency deflected political criticism and insulated him from his mistakes.

There is a growing sense even within his own party that Mr Reagan is not offering the country solutions to the problems many Americans fear loom.

The self-satisfaction of the Eisenhower era was jolted in 1957 by the startling and disturbing news that the Soviets had launched their first Sputnik, putting America into second place in space.

The latter day equivalent of the Soviet Sputnik is Japan, and the worry that America is losing to its Asian rival its role as the most dynamic and innovative of the world's industrial nations.

At home support is waning for Mr Reagan's recipe of starving government down to size and giving the free market its head in order to reinvigorate the US economy and attack America's social problems.

As they wonder about their re-election prospects in 1988, especially after the loss of control of the Senate last November, more Republicans, like their Democratic rivals, are becoming convinced that government has a role in trying to improve the performance of the economy and reduce the trade deficit.

In his State of the Union address, prodded by Mr James Baker, an activist Treasury Secretary who is allied politically with presidential hopeful Vice President George Bush, Mr Reagan is expected to outline initiatives designed to tackle the trade issue and boost the long-term competitiveness of the American economy.

He is expected to put new emphasis on the worker retraining scheme curtain-raised in his budget message, on the need to improve American education and on changes in anti-trust laws to help businesses collaborate in the face of foreign competition. He is also expected to highlight the benefits to the economy which should come from a falling dollar.

But there are questions about how convincingly Mr Reagan, the outspoken advocate of less government, can adopt such a theme after years of claiming credit for an American renaissance.

The Democrats, who have embraced the competitiveness theme wholeheartedly and are better placed to define it more ambitiously, are ready to reject Mr Reagan's proposals as inadequate. Their leaders are warning of inexorable decline in the performance of the American economy, a decline which Mr Baker's devaluation strategy alone will not, they say, arrest.

On US-Soviet relations Mr Reagan again will have to walk a thin line. He is expected to voice his implacable hostility towards Communism and his continuing commitment to the Strategic Defence Initiative on the one hand and his backing for US-Soviet talks about nuclear arms cuts on the other.

But with Mr Caspar Weinberger, the increasingly outspoken Secretary of Defence, perceived by arms control advocates to be trying to sabotage prospects for a US-Soviet arms control compromise by pressing for the early deployment of SDI, the unresolved policy contradictions within the Administration will again expose the President to charges that he still has not decided what his policy towards Moscow should be.

There is not much evidence that Mr Reagan's Republican allies believe that the State of the Union address will quickly revive the fortunes of a president who, his own officials concede, will be entangled for months in the web of investigations of the Iran arms deals

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Wall Street insiders brace themselves for the next shoe to drop

William Hall in New York on the Boesky Affair inquiries

FIRST THERE was Dennis Levine, the high-flying investment banker who made $12.5m (£8.3m) by trading insider information. Then there was Ivan Boesky, self-styled king of the arbitrageurs, who bought information from Mr Levine in order to make a killing on the stock market.

Two-and-a-half months after the US Securities and Exchange Commission announced that Mr Boesky, the biggest speculator in US takeover stocks, had agreed to forfeit $100m of illegal profits from trading on inside information and be barred from the US securities industry for life, there has been scant news of the biggest insider trading scandal in the history of Wall Street.

Unlike London, where the financial community has been thrown into turmoil by the steady stream of revelations surrounding Guinness, which was apparently sparked by a tip-off flowing from the SEC's Boesky investigation, a cloud of silence has descended on the continuing investigations of the SEC and the work of the two grand juries on the East and West coasts which are said to be probing the wider implications of the Boesky affair.

Mr John Shad, 62, chairman of SEC, has indicated he expects the major portion of the insider trading investigation to be over by late spring provided suspects are prepared to agree to negotiated settlements. As a result, Wall Street is nervously waiting for what is fondly referred to as "the next shoe to drop."

Where the shoe will drop remains a subject of intense speculation. The SEC is known to be interested in the activities of Drexel Burnham Lambert, the fast-growing investment bank which used to employ Mr Levine and helped bankroll Mr Boesky. Oppenheim, Appel and Dixon, an accountancy firm hired by Mr Boesky to help liquidate his old trading vehicle, has been asked by the authorities to provide information relating to a $5.3m fee paid to Drexel Burnham by Mr Boesky.

The SEC is also said to be investigating a $3m payment from the Ivan F. Boesky corporation to Jeffries and Co, a West Coast brokerage firm which specialises in accumulating blocks of shares in takeovers. The authorities are interested in determining whether the millions of dollars paid by Mr Boesky to various financial firms are legitimate fees or improper payments for inside stock tips.

Mr Fred Joseph, chief executive of Drexel Burnham, has described the payments as "normal fee for normal investment banking activities." Jeffries and Co has refused to comment directly on the payments but Mr Frank Baxter, the firm's president, said his firm has provided all the information requested and there is nothing involving any insider trading."

There is a growing feeling that the investigation by both the SEC and the US Justice Department is widening beyond the simple question of whether people and firms traded inside information.

The authorities are believed to be exploring more complex schemes that could involve breaches of technical securities laws, such as those that require the disclosure of shareholdings of 5 per cent of a company or more and that require securities firms to maintain minimum amounts of capital.

Several companies, including Lorimar-Telepictures, Diamond Shamrock, Maxxam Group and Turner Broadcasting, are reported to have been subpoenaed by the SEC to give information about takeover and merger activities in which they were involved. The scale of some of the "golden parachute" payments to senior managements of firms taken over has raised questions about their conduct in takeovers and the general loosening of the standards of behaviour

In addition, questions have been raised about the sources of some of the inside tips which led to rises in share prices before takeovers. Finally, the role of the New York stock exchange in policing the activities of its members, which included Ivan Boesky until last month, has also come under scrutiny.

The SEC and the Justice Department are operating in grey legal areas and this probably explains the lack of recent news on the so-called Boesky Affair.

"They want every nail driven in the coffin before they make another announcement," said one Wall Street professional who believes the "fish" being pursued are much bigger than either Ivan Boesky or Dennis Levine.

Ivan Boesky

Pentagon space role expands

BY PETER MARSH IN TITUSVILLE, FLORIDA

THE US Defence Department has underlined its growing role in the country's space programme with the award of a $317m (£210m) contract to McDonnell Douglas for the production and launch of the family of heavy-duty expendable rockets, to be called medium launch vehicles.

The contract is also expected to help McDonnell Douglas in the commercial launch market, which is likely to be worth about $550m a year by 1990.

In this area, it is in competition with Arianespace, the Paris-based company which operates western Europe's Ariane rocket and General Dynamics and Martin Marietta, the two other companies which bid for the medium-launch vehicle contract.

Commercial launches, expected to involve the ejection into space of up to 20 satellites a year by the early 1990s, are being fought over by private companies following the US Government's decision last year that the National Aeronautics and Space Administration should concentrate solely on government payloads.

The Pentagon decision to procure a new generation of rockets came after it reappraised its launcher needs in the light of last January's Challenger disaster, which destroyed one of the US's fleet of space shuttles and killed seven astronauts.

Hawke to discuss Mid-East peace

MR BOB HAWKE, Australia's Prime Minister, arrived in Israel yesterday and said he wanted to discuss Middle East peace with leaders of the Jewish state, Reuter reports from Jerusalem.

"I trust that we will talk about the issue which is of overwhelming importance... securing the future peace for Israel and peace for this region, Mr Hawke said as he arrived in Jerusalem. I know that we will be able to have most useful discussions on that matter," he added.

Mr Hawke, on the first visit to Israel by an Australian Prime Minister, was likely to hear conflicting official versions of where the Jewish state stands on an international peace conference on the Middle East, according to Israeli officials.

Mr Hawke said in Amman on Sunday he favoured holding such a conference.

Asked if Mr Hawke would accept as Israel's position the view of right-wing Prime Minister Yatzhak Shamir or the Labour party leader, Foreign Minister Shimon Peres, a senior Israeli official replied: "Your guess is as good as mine."

Israel is ruled by a nine-party coalition cabinet which, though united on most issues, is split on how to settle the Arab-Israeli conflict.

Mr Shamir, who welcomed Mr Hawke when he arrived from Jordan after a brief stopover in Cyprus, opposes a peace conference, favouring instead direct talks with Arab states.

Mr Peres supports a peace conference, but unlike Mr Hawke, wants to keep the Palestine Liberation Organisation (PLO) outside the peace process.

Israeli officials say they believe Mr Hawke wants to contribute to the Middle East peace process

He arrives three months after President Chaim Herzog made the first visit to Australia by an Israeli head of state. He leaves Israel on Thursday and goes later to Egypt.

Recalling yesterday was his country's national holiday, Mr Hawke said Israel and Australia were both built on the "dreams, aspirations and endeavours of immigrants."

Stephen Butler reports on Thai programme which may eliminate commercial opium production in five years

Thailand wins a small battle in war against narcotics

ONE mile high, on Doi Sam Uen, atop the rugged mountains of northern Thailand, Police Maj Gen Chavalit Yodmani proudly shows to a group of European visitors the scrubby hilltops where just a few years ago opium poppies were in full bloom.

Today everything from potatoes and coffee to flowers and kidney beans is sprouting up instead, and the hill tribes and Chinese immigrants who till the soil are prospering.

Leading the way in a Land-Rover, Gen Chavalit, who heads the Thai Office of the Narcotics Control Board, is followed closely by an open-backed truck on which two police officers in khaki uniforms ride shotgun with automatic rifles. Over the past year, four people, including a government forestry official, have died from sniper bullets believed to come from disgruntled opium traders.

In the worldwide war against narcotics production and trafficking, Thailand is winning a small yet significant battle. Opium poppy production has been halved to about 25,000 hectares in recent years, and nearly half the poppies produced this year will be cut down by the Thai army before reaching maturity. In five years, according to the Government, commercial opium production in Thailand may be eliminated.

This goal may prove elusive, especially if new funding for the crop conversion programme does not materialise. Yet already the Government has achieved a dramatic economic and social transformation in a region of South-east Asia that has been lawless for centuries.

Only four years ago did the Government finally push across the Burmese border the private warlord armies which trace their origins to the Chinese Nationalist Party defeated by the Communists in 1949. Thai Government forestry and watershed development offices now dot the region, introducing a permanent government presence for the first time in history.

Opium cultivation in the famed "Golden Triangle" which stretches across Burma, Thailand and Laos, dates back at least 100 years. The Government's programme aims not only at bringing modern farming methods to illiterate tribes people, but also to halt the frequent intra-regional migrations that have ravaged primary forests that once covered the mountains.

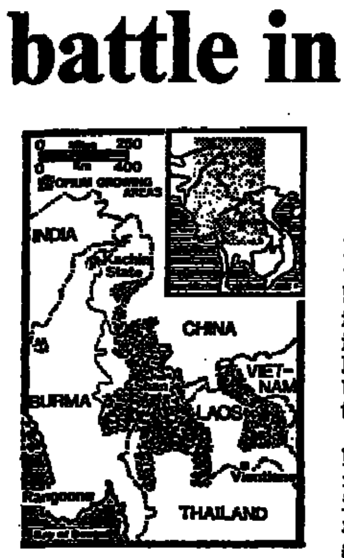
Agricultural extension workers are trying to teach villages of ethnic Karer, Lahu, Lisu and Hmong that three or four years of cultivation need not deplete the soil and thus require moving to a new area to fell a fresh stand of virgin forest.

The learning process is slow because it involves undoing cultural patterns that have resisted centuries of pressure for change from the dominant ethnic Chinese and Thais in South East Asia.

So far, the crop conversion programme has had remarkable luck. The more temperate climate in the mountains allows the hill tribes to produce crops that would otherwise have to be imported to Thailand and they command a good price. The hill people now grow strawberries and temperate climate vegetables for the hotels in Chiang-mai or Bangkok.

Their potatoes come on the market months before those grown on the plains below and the early crop is far more valuable.

Nestlé, the multinational food company, in Thailand has guaranteed a price of Baht 60 ($2.25) per kilo for all the Arabica coffee produced under the programme. Last year, with more Thais turning to coffee for a beverage, the market price rose to 100 Baht per kilo.



"When they plant coffee, it is a permanent conversion," says Gen Chavalit, who is openly pleased at the thought of not having to redo his job.

The Government uses a mixture of carrot and stick to nudge the hill people into changing their ways.

For several years now the Thai army has swept the hills in December and January to cut down the ripening opium. They leave rice behind to help tide the farmers through the year, but this has not been enough to prevent farmers from taking their revenge by burning down the forests, which they know the Government holds dear. Ugly black splotches and charred tree stumps now scar the hills.

Although many of the farmers have found they can earn more money by turning away from opium, this is only because they do not bear the cost of the programmes.

Rough, dirt roads that are highly vulnerable to annual rains have been cut through the hills and many more are still needed if produce is to arrive at the markets before it spoils. Trucks must be purchased. There are schools and health clinics to be built.

The money must keep flowing and there is not enough in the Thai Government budget. Help has come from abroad: from the UN, from Germany, Canada and the US. But more is needed.

Success of the crop conversation programme notwithstanding, Gen Chavalit is the first to admit that it does not really solve Thailand's drug problem, only a small part of it.

In the international narcotics trade, Thailand is less important as a producer of opium and heroin than as a conduit from the larger production centres in Burma and Laos, where the hundreds of miles of borders are rarely patrolled.

Western drug officials say that Thailand's drug enforcement is critically hampered by lack of a conspiracy law. This means that drug runners caught in possession can be prosecuted, but never the organisers, the heads of syndicates.

Politicians have resisted a general conspiracy law out of fear that a bit too much familiar dirty linen might be uncovered and hung out. As a result, efforts are now underway to formulate a conspiracy law that applies solely to drug trafficking. Even so, observers expect an uphill battle to pass it.

Aside from this is an alarming increase in the cultivation of marijuana, where the lack of a conspiracy law is an even more blatant obstacle. American experts in marijuana have come to Thailand and taught Thai farmers scientific cultivation. The result is some of the highest quality marijuana in the world.

"Marijuana can be grown anywhere," laments a drug official. Poppy cultivation is confined to elevations over 3,000 feet.

The Government made a concerted effort to stamp out marijuana cultivation in the north-east provinces, but when the boot came down the stuff was sent rebounding all around the nation.

The amounts of money involved in this trade are enormous, and the farmers can earn about 10 times more growing marijuana than from any other crop. Fears are now expressed that Thailand may become another Colombia, where the corrupting influence of drug money has emasculated the Government.

This has not happened yet. The proud success achieved in the highlands and northern Thailand is in danger of being overshadowed and made meaningless. But today it still stands as proof that with concerted Government effort, battles in the war against drugs can be won.

Manila ministers defy marchers

BY RICHARD GOURLAY IN MANILA

TEN CABINET ministers took to the streets yesterday to defend the presidential palace against left-wing activists protesting the shooting of 15 peasants in a rally last Thursday.

Dozens of government employees left the palace and linked arms with some of the ministers, while their colleagues joined the marchers, disappearing into a sea of red flags and raised clenched fists.

President Corazon Aquino overruled military advice and ordered troops and riot police not to try to stop the marchers at the Mendiola Bridge, the scene of the shooting and a notorious conflict spot during the days of former President Ferdinand Marcos.

Last week's incident has badly shaken Mrs Aquino's 11-month Government only days before a nationwide plebicite to approve a new constitution on February 2. It came soon after an outburst of violence in the Moslem south, and apparent deadlock in peace talks with Communist rebels and revelations that Mrs Aquino at least knew about efforts to influence a supposedly independent body drafting the new constitution.

Earlier, Mr Teodoro Benigno, the presidential press spokesman, suggested that last week's killings were the result of deliberate provocation. "We have information that there was infiltration by Marcos loyalists of both the peasants and the troops," he said.

The riot squad pulled back to allow the marchers to pass peacefully within 50 yards of the palace gates, waving banners saying "Land Not Bullets" and "Mrs Aquino's (New) Armed Forces are Still Murderers."

March leaders presented government officials with the same set of demands for land reform made by last Thursday's peasant riots. Their "minimum demands" are for immediate redistribution of land taken over from Marcos' "cronies," idle and abandoned lands.

They also want a speedier implementation of a land reform programme launched by Mr Marcos, which the Government has adopted. At least two ministers agree that there has been almost no progress in implementing this programme in the 11 months of Mrs Aquino's government.

Africans stress oil co-operation with Opec

By Victor Mallett in Lagos

NINE AFRICAN oil-producing countries, meeting here yesterday to set up the African Petroleum Producers Association (Appa), have immediately stressed co-operation with Opec to influence world oil markets.

Four participants—Nigeria, Algeria, Libya and Gabon—are already members of Opec and hope to bring other African producers into line with Opec's current policy of limiting output to support prices.

"It is a good platform; we can talk about Opec policies," Mr Rilwanu Lukman, Opec president and Oil Minister of Nigeria, told reporters

Chung: aims to reduce debt

Seoul opts for flexible interest rates

By Maggie Ford in Seoul

FINANCIAL officials are to pursue a policy this year of flexible interest rates following the appreciation of the South Korean won against the US dollar, Mr Chung In Yong, the Finance Minister said yesterday.

In a New Year statement he announced that Seoul plans to reduce its foreign debt from $44.5bn to $41.8bn by the end of 1987 and to continue to restrict money supply growth to between 15 per cent and 18 per cent. The South Korean currency has appreciated against the dollar by 3.8 per cent in the past year. The won, which is not convertible, is officially tied to a basket of currencies weighted heavily towards the US dollar.

The formula is not revealed however and bankers believe the won's level is determined by the Bank of Korea, the central bank.

South Korea has benefited substantially from the rise in the Japanese yen and last year registered a trade surplus of $4.26bn largely through exports to the US. Complaints from Washington at what it sees as the undervalued won started last summer and has continued ever since.

● Four opposition politicians, including Mr Kim Dae Jung, were placed under house arrest yesterday to prevent them attending the first meeting of a committee set up to organise a national protest over the death of a student through police torture two weeks ago.

Tokyo to raise limit on defence spending

BY IAN RODGER IN TOKYO

THE JAPANESE Government has decided on a new yardstick for limiting defence spending to "around 1 per cent" of gross national product for the next four years.

The yardstick is to be the country's five-year defence spending plan, set last September at Y18,400bn (£79bn).

This new methol of restricting defence spending, a highly sensitive political issue in Japan, replaces the former policy set in 1976 under which it was limited to 1 per cent of gross national product.

The defence spending ceiling has become a problem because of the slowdown in Japan's economic growth. That has meant that the country could not stick to both its 1 per cent target and its current five-year military spending plan.

The Governmnet decided last month that because of increasing military tensions in Asia it was more important to stick to the five-year build-up plan than to respect the 1 per cent limit. Consequently, it approved a defence budget for the 1987-1988 fiscal year of Y3,510bn or 1.004 per cent of forecast GNP.

However, because of the anxieties among many people in Japan and neighbouring countries about a possible return of militarism, Mr Yasuhiro Nakasone, the Prime Minister, also promised to set a new yardstick for limiting defence spending.

In deciding on the new yardstick on Saturday, the Cabinet also pledged to continue to respect the spirit of the 1976 policy. Mr Masaharu Gotoda, Chief Cabinet Secretary, said that even with the new guideline, defence spending would remain "around 1 per cent" of GNP. The Cabinet also reiterated Japan's commitment to a defence-only policy and its non-nuclear stance.

A new formula for limiting defence spending would be designed at the end of the current five-year plan.

The main opposition political parties have been outraged by the Government's plan to abandon the 1 per cent ceiling. They have already signalled their intention to work together to try and block the approval of the defence budget when it comes up for discussion in the Diet.

There was also strong opposition to the policy in the Aahi Shimbun, a leading Japanese newspaper. It said in an editorial that the new guideline was ineffective and lacked the braking power necessary to restrain defence spending. On the other hand, the Yomiuri Shimbun, which supports Mr Nakasone, said the new yardstick was "rational and appropriate."

Gorbachev visit unlikely

BY PATRICK COCKBURN

MR MIKHAIL GORBACHEV, the Soviet Leader, is unlikely to visit Japan in the near future because of the Japanese claim to the Kurile Islands north of Japan which have been held by the Soviet Union sincethe last war.

The visit was agreed in principle last year but the Communist party daily Pravda yesterday attacked Japan for highlighting its claim to the islands at a time when it was increasing defence expediture.

The newspaper accused Tokyo of whipping up chauvinistic feelings which "do not facilitate the creation of conditions for a fruitful exchange of visits at top level.

Although Mr Eduard Shevarnadze, the Soviet Foreign Minister, visited Japan last September for talks there has been frequent criticism in the Soviet press of Mr Yasuhiro Nakasone, the Japanese Prime Minister, for being anti-Soviet, an advocate of rearmament and for pressing Japan's terrtorial claims.

China expels US journalist

CHINA'S FOREIGN Ministry yesterday ordered the expulsion of a reporter from the French news agency Agence France Presse (AFP), saying he had accepted "intelligence" from a Chinese student.

The reporter, Mr Lawrence MacDonald, 32, an American working for AFP, was in Hong Kong and not available for comment.

The order came amid a political campaign against westernisation

South African forces kill 61 in raid into Angola

BY ANTHONY ROBINSON IN JOHANNESBURG

SOUTH AFRICAN and locally recruited Namibian troops clashed with Angolan Government forces (Fapla) and South West African Peoples Organisation (Swapo) guerrillas in another major cross border raid 75 kms into southern Angola over the weekend.

Defence force headquarters in Windhoek, the Namibian capital, said that at least 61 Fapla and Swapo troops were killed in what it described as a follow-up operation following Swapo mortar attacks on bases close to the Namibian-Angolan border last week.

The latest cross-border attack follows a similar operation earlier this month when the combined South African and Namibian defence forces announced that 56 Swapo guerrillas had been killed in follow up operations designed to forestall the annual wet season incursion by Swapo forces

● Faction fighting between Xhosa-speaking and Basotho miners broke out again at Anglo American Corporation's President Steyn gold mine early yesterday morning in which one miner died and 12 others were injured.

Rabin reported in Pretoria visit

BY ANDREW WHITLEY IN JERUSALEM

MR YITZHAK RABIN, the Isaeli Defence Minister, is reliably reported to have recently paid a secret visit to South Africa. The discussions are believed to have dealt with the two country's extensive arms and strategic links.

The visit takes place against the background of mounting pressure from the US Congress on Israel to cut, or reduce, these ties with Pretoria, a leading customer for Israeli defence equipment and knowhow. No reliable estimate is available of the value of these sales, thought to exceed $100m a year.

Legislation passed by Congress last year required recipients of US military aid to halt all forms of military co-operation with South Africa within 12 months. At risk is the $1.8bn in annual military assistance provided by the US to Israel.

The Defence Ministry in Tel Aviv would not comment yesterday on the Rabin trip, first reported in the current issue of newsweek magazine. But a senior Israeli politician confirmed that the visit had indeed taken place in recent weeks.

According to this politician, Mr Rabin, a strong proponent of close links between Israel and South Africa, also discussed co-operation in the field of nuclear weapons tests.

Israel has never confirmed widespread reports that it has amassed a considerable nuclear arsenal over the past two decades, stating only that it would not be the first to introduce such weapons to the Middle East.

Western intelligence agencies believe, however, that a key aspect of its low-key, but highly important, strategic relationship with South Africa is the opportunity this provides for the testing of nuclear devices.

Brazil faces delay over export credits

BY PETER MONTAGNON, WORLD TRADE EDITOR

EXPORT CREDIT cover for Brazil is unlikely to be restored quickly by the main industrial countries in spite of last week's Paris Club agreement to reschedule some $4bn in official debts.

A major stumbling block remains Brazil's continuing refusal to commit itself to service punctually its export credit debt after July 1, the cut-off date for maturities to be rescheduled under the terms of last week's agreement.

Announcing the agreement in Paris last week, Mr Alvaro Alencar, who led the Brazilian delegation, said it would put Brazil "back into cover" for medium-term export credits, something the government of President Jose Sarney has long sought.

However, UK officials said no such decision has yet been taken by the Export Credits Guarante Department which operates Britain's export credit scheme.

Participants at last week's meeting said the US in particular was concerned about Brazil's lack of commitment to service its export credit debt after July 1. Export credit agencies generally are likely to be very cautious about restoring cover at this stage.

The main purpose of the agreement, which covers arrears accumulated since 1985, was to restore some sense of order and to signal a willingness to co-operate with the Sarney regime, they said.

But Brazil still has not fulfilled the conditions required for a rescheduling of future debt maturities falling due after July 1. These would normally include a viable International Monetary Fund economic stabilisation programme.

Bankers say that by withholding new export credits, Brazil's industrial country creditors are retaining a lever that could be used to push the country back into the IMF fold, especially if its economic performance continues to deteriorate.

However, its effectiveness depends on creditors' ability to resist mounting pressure from their exporters, who are anxious to sell into the Brazilian market, which was worth £12.7bn last year.

Since 1984 the UK has pursued a policy of reconsidering export credit cover quickly for countries that reschedule their debt, instead of automatically withdrawing it.

Last year's Paris Club agreement for Mexico included a provision that cover would be restored immediately.

Brazil's case is seen as different, however, not only because of its continuing resistance to an IMF programme, but also because last week's rescheduling agreement was partly conditional on Brazil staying current on its export credit debt after July 1.

It will be some time before it becomes clear whether last week's agreement is being fulfilled. General resumption of cover is therefore likely to be delayed provided individual countries do not break ranks and restore it in support of specific export contracts.

Case links with Danish combine harvester group

BY NICK GARNETT

CASE IH, part of the Tenneco group of the US, has signed an agreement with Dronningborg Maskinfabrik of Denmark under which the Danish company will manufacture combine harvesters to be sold through the Case dealer network in France and West Germany.

Case said yesterday that the relatively small combines, to be made at the Dronningborg plant at Randers, would complement the existing range of Case machines.

The agreement is the latest in a series of joint venture marketing and manufacturing deals between makers of agricultural and construction equipment.

The Dronningborg-made machines, which will be sold under the DANIA name, range from 66 to 169 hp. Cash said it would help its dealers offer a complete line of combines in two of Europe's largest markets.

Dronningborg claims market leadership for small companies in Scandinavia. The DANIA machines will not be marketed by Case in the UK or the Irish Republic.

Independent steelmakers attack restructuring plan

BY ALAN FRIEDMAN IN MILAN

EUROPE'S privatet independent steel companies said yesterday that they would refuse to participate in the steel restructuring plan put forward by Eurofer, the association of Europe's major integrated steel producers.

Mr Pol Boel, president of the European Independent Steelworks Association (Eisa), which represents 70 small steel companies in Italy, West Germany, Belgium, Britain and Greece, said in Milan yesterday that the Eurofer proposal for 20m tonnes of cuts was "absurd."

Under the Eurofer plan, the major integrated companies would make cuts amounting to 11.9m tonnes of productive capacity, while Eisa companies would then share a significant part of the remaining cuts.

"It is absurd for Eurofer to look to Eisa and tell us to participate in the restructuring. Eisa is not going to take part in restructuring because we have already done our part and we have not cost taxpayers a single penny," said Mr Boel.

Mr Boel criticised West Germany for "not having done its part in restructuring" and said the burden of restructuring must now fall upon "those state companies who overbuilt with state subsidies."

Matsushita plans joint venture in W Germany

By Carla Rapoport in Tokyo

MATSUSHITA ELECTRIC, Japan's largest electronics company, yesterday announced it was to establish a manufacturing company in West Germany in a joint venture with Quick-Rotan, a sewing machine motor maker in Darmstadt. The new company will make motors for Matsushita's office equipment plants in the UK and West Germany which are due to start production this year.

Matsushita yesterday refused to give the value of the German plant, but said its initial output of 50,000 units a month would be sufficient to satisfy the needs of its new plain-paper copier plant in West Germany and its electronic typewriter facility in the UK.

The company will be based in Rotenburg, Hessen.

Matsushita has traditionally shied away from joint venture manufacturing deals in Europe. However, pressure on Japan to increase the local content of its manufacturing operations is resulting in fresh investment in component manufacturing ventures in Europe.

"The office equipment market in Europe is now rapidly expanding because of local production by foreign (Japanese) manufacturers . . . the needs for European-made motors are also increasing sharply, since manufacturers are requested to increase their local content within the European Community," Matsushita said.

The issue is highly controversial because the European Commission is considering a proposal to attach anti-dumping duties in Europe.

This proposal, which aims to increase local content and put an end to "screw-driver" assembly plants, has been severely criticised by Japanese business leaders.

Prominent Japanese businessmen, including senior officials of Japan's Federation of Economic Organisations, maintain that such a proposal would only act to discourage investment in Europe, particularly in those countries such as Spain and Portugal, where high quality components are not readily available.

Ericsson wins $84m Thai order

ERICSSON, the Swedish telecommunications and electronics group, has won an order worth SKr 550m ($84m) from the Thai Telecommunications Administration for the expansion of its existing network, Sara Webb reports from Stockholm.

The order covers the design and construction of local networks in north-east Thailand and in parts of Bangkok, and consists chiefly of laying cables.

Ericsson has already supplied its AXE exchanges for the Thai network and hopes to win further orders to expand the local network in other parts of the country.

Work is due to start by mid-year and should be completed by the end of 1991.

Peter Montagnon reports moves to eliminate counterfeit goods from international trade

Trademarks win a point of principle

EFFORTS TO protect goods from forgery and imitation have been boosted by a decision last month by the European Economic Community to clamp down on international trade in counterfeit goods and the inclusion of counterfeit trade on the agenda for the current round of trade liberalisation talks in the General Agreement on Tariffs and Trade.

In December the EEC agreed new rules designed to stop counterfeit goods entering the Community as part of a package of measures to liberalise its internal market. Specific consideration is to be given to rules on counterfeit trade in the Gatt talks due to start next month in Geneva.

But industrialists warn that they still face a long hard slog in eliminating international trade in counterfeit goods estimated by the European Parliament to be worth $60bn a year.

Mr David Carlisle of the British Anti-Counterfeiting Group, which links such companies as Kodak, the Wellcome Foundation and Alfred Dunhill, says the EEC decision "will make quite a big difference."

Not only does it provide for counterfeit goods to be stopped at customs; it also entitles the trademark owner to be given information about the origin of the goods concerned. More important, it is a breakthrough in principle which demonstrates a new concern among governments to deal with the problem.

Yet the measures are far from adequate to stop counterfeit business dead in its tracks. Essentially they will allow trademark owners to ask national customs authorities (in return for a fee) in any EEC country to make regular and specific checks over a given period to ensure that counterfeit goods are not passing across their border. The controls will allow customs authorities to seize counterfeit goods at the point at which they enter the Community.

This is a considerable departure from the present system, whereby the trademark owner has to ask for a check each time he suspects a shipment of counterfeit goods, but its application remains limited in several respects.

First the trademark owner has to register his trademark in the Community country whose customs are being asked to help. Eventually this will become unnecessary with the introduction of an EEC trademark, but this is still quite some way off. Second, the regulations do nothing to prevent the circulation of counterfeit goods produced within the EEC itself, where Italy is seen as a common offender. Third, the EEC measures deal only with trademarks. They do not cover related but much more complicated issues like patent and copyright, which are to be discussed in new Gatt round.

Clark: pointed condemnation of counterfeit

At the moment industrialists are pinning their hopes on the political determination of EEC governments to implement the new measures effectively, which could bring fresh impetus to the fight against counterfeit abuse. There is little doubt that, in the UK at least, the political will to do so is strong. Mr Alan Clark, Trade Minister, who steered the measure successfully through the EEC's internal market council, is pointed in his condemnation of counterfeit which he describes as "a serious and growing abuse in international trade."

The Anti-Counterfeit Group wants tougher legal measures to deal with counterfeit goods already inside the UK. At the moment trademark owners are forced to rely on the Trade Descriptions Act, but prosecutions under this Act usually take a long time and result in only small fines. Pointing out that US law provides for prison sentences of up to five years for manufacturing, distribution and sales of counterfeit goods, Mr Carlisle says: "We want some more permanent measure, a strong criminal law and adequate enforcement by police."

On the international front a pressing problem is to deal with counterfeiting at its source. Measures to impede trade in counterfeit goods, such as those introduced by the EEC, are "like chopping the head off the hydra," Mr Carlisle says. The Gatt talks could help by setting a common code of standards to which all contracting parties would be committed.

Whether the Gatt talks will eventually produce much progress in these matters remains a moot point. The precise content of the talks is still to be defined and there is some uncertainty about the approach that should be taken.

Among the concerns of developing countries is their belief that intellectual property rights such as trademarks, patents and copyright are not a trade policy issue and should be dealt with in the framework of the World Intellectual Property Organisation (Wipo), a United Nations body.

Under its current legislation the US already has the power to limit concessions under the Generalised System of Preferences (GSP) to developing countries which harbour counterfeiters. But the attraction of a Gatt code on the subject to the US and other industrial countries is that it would help solve the perennial problem of enforcing measures against counterfeiting.

The US regards Wipo as intrinsically weak, but Gatt has some important teeth. In the last resort Gatt contracting parties can always retaliate with trade restrictions against another member country that is shown to have broken the rules.

Singapore tightens laws on unauthorised copying

BY STEVEN BUTLER IN SINGAPORE

THE piracy capital of the world—Singapore—is no more. The unauthorised copying of music, films and books is to be combatted with stiff penalties. The legislation, enacted yesterday, will take effect at the end of the month.

"We're looking at the end of piracy in Singapore," said an official of the International Federation of Phonogram and Videoprogramme Producers yesterday.

Singapore's piracy industry has not gone out without a fuss. Computer software shops have been jammed with customers taking advantage of the last safe opportunity to purchase pirate software at prices just above those for the computer diskettes on to which they are copied.

The market for pirate music tapes, on the other hand, has declined steadily for months as producers and retailers try to clear their stocks of merchandise that could soon land them fines ranging between S$10,000 and S$100,000 and/or five years in prison. They also stand to lose the expensive recording equipment used to transcribe tapes.

Some problems in an earlier draft of the bill were removed last month, and this has considerably eased the burden of proof on copyright holders. Plaintiffs need only show that a defendant "ought reasonably to know" that copyrights had been infringed.

Pirate music cassettes in Singapore accounted for about 90 per cent of the local market just 18 months ago. More than 120m tapes were exported in 1981. The export market, however, has declined sharply both in quantity and quality as Indonesia has taken over this industry.

Sales of pirated music now account for less than 30 per cent of the local market. This should decline quickly, although some loopholes remain.

Mr S. Jayakumar, the Second Minister for Law, told the parliament that the legislation would ease friction with the US and other major trading partners. He also said that copyright protection would spur the development of Singapore's publishing and computer software industries

UK NEWS

Patten proposes housing sanctions for councils

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

STIFF sanctions against local authorities which keep houses empty and fail to collect rents, along with powers to allow tenants on badly-managed council estates to manage themselves, are being prepared by the Government.

Mr John Patten, Housing Minister, said these polices would be implemented immediately after the next election if the Conservatives were re-elected.

Mr Patten made clear the Government's intention that council house building should continue to be reduced.

The number of council houses built has fallen from 47,300 in 1979 to 17,200 last year.

Over the same period, annual spending on building council homes has fallen from £1.16bn to £668m (without adjustment for inflation.

"There would be no need to build more accommodation if only local authorities would use the homes they have efficiently." Mr Patten said.

He acknowledged protests about the number of families in bed and breakfast accommodation—5,400 at a cost of £26.3m last year—but said: "It is an intellectual and political cop-out to say we should just build more council houses. I want to introduce measures to put more pressure on councils to fill their empty houses."

"There are now 113,000 empty local authority homes in

John Patten: more power for tenants

the country, and 27,000 of those have been empty for one year and 13,000 for two," he said.

Mr Patten is prepared to continue increasing government funding for local authority housing maintenance.

Unlike the building programme, which has been drastically cut, spending on maintenance increased to £1.2bn last year compared with £727m in 1979.

Mr Patten says he also wants to introduce measures to help tenants on badly run council estates.

Mr Patten, with some support from the Audit Commission which has looked at the efficiency of local authorities, blames bad management.

Department of Environment statistics show that the London borough of Brent, for example, which has the highest number of families, 689, in bed and breakfast accommodation, also has 844 homes empty and rent arrears of £10.96m, the largest in the capital.

The local authorities' defenders say this is due to problems of multiple deprivation in poor areas, and estates where many tenants are out of work.

The Government's critics say that while it costs £11,000 a year to keep a family in temporary bed and breakfast accommodation it costs only £7,000 a year to finance the building of a council house.

Mr Patten said, council estates offered "a monolithic form of tenure which does not satisfy the consumers. It's a bad thing to have estates of 4,000 houses all with the same type of tenure and same socio-economic group tenants."

"I want to see them broken up into smaller units and to see them run by housing associations, building societies and tenants co-operatives. We've been criticised that encouraging owner occupation and giving tenants the right to buy their council houses is just not enough.

Ulster MP jailed for non-payment of fine

ULSTER UNIONIST MP Harold McCusker was jailed for a week yesterday for non-payment of a fine. It was imposed by magistrates last year when Mr McCusker refused to pay his car tax in protest against the Anglo-Irish Agreement.

Mr McCusker, deputy leader of the Official Unionist Party and MP for Upper Bann, was arrested by police at his County Armagh home, and taken to Crumlin Jail in Belfast.

Mr McCusker had been expecting his imprisonment.

He is the first Unionist MP to be imprisoned because of the campaign of opposition against the agreement. Two weeks ago, Mr Peter Robinson the deputy leader of the Democratic Unionist Party, and MP for East Belfast, was fined £15,000 by a Dublin court after admitting taking part in a loyalist cross-border "invasion."

Unionists mounted a vigil outside the Crumlin Jail as Mr McCusker was taken in.

Among the crowd was his fellow MP, the Reverend Martin Smyth (South Belfast), who said: "He has been arrested for not paying his road fund licence and he said he would not support any scheme whereby there would be funds spent without his consent by representatives of an alien government."

Kenneth Gooding looks at a US lorry maker's bid for Leyland

Rover's surprise for Paccar

PACCAR, the US lorry maker which is in talks about taking over state-owned Leyland Trucks, says Rover Group, Leyland's parent, has recently asked whether it is also interested in buying Freight Rover, the Sherpa van business.

"That caught us a little off-guard and it is too early to say what our attitude might be," said Mr Charles "Chuck" Pigott, president of Paccar, the Kenworth and Peterbilt heavy trucks group.

He said that about 5,000 jobs would be lost if Daf of the Netherlands, which is also in talks and which he conceded was the front-runner, took over Leyland.

However, if Paccar won the battle to take over Leyland, he said, those jobs would be preserved and his company would almost certainly open up its dealer network in the US to Leyland's medium-weight Roadrunner truck. He estimated Paccar could sell more than 3,000 Roadrunners a year in the US. Leyland's annual truck output is about 9,000.

Mr Pigott said Paccar also wanted to continue the recently concluded arrangement for Leyland to supply special versions of the Roadrunner to Daf for sale through the Dutch company's 500-strong dealer network on the Continent.

Mr Graham Day, Rover's chairman, wanted the Leyland proposals from Paccar and Daf so that he could make a recommendation to the Government by the end of this month, Mr Pigott said.

'Paccar's profit has been over $250m for the past three years. Daf's is only a fraction of that'

He hoped the Government would take into account Paccar's financial strength compared with that of Daf before making a decision. "Paccar's profit has been above $250m (£164m) for the past three years and Daf's is only a fraction of that. We are in a position to follow through with any undertakings which might be given."

On UK jobs, Mr Pigott said Paccar bought all its driveline components—engine, gearbox, axles—from outside suppliers. It would continue to do so if it acquired Leyland and would attempt to keep the UK content of Leyland trucks at the current 90 per cent by buying from the British subsidiaries of companies such as Cummins, Rockwell and Eaton.

Daf, however, produced its own engines and axles. Mr Pigott suggested that, over five years or so, Daf components would be incorporated in Leyland trucks, thus transferring the jobs involved to the Continent.

"We must also ask ourselves, if that happens, whether Cummins, Rockwell and Eaton would feel there was enough business left in Britain to make it worth staying on," he added.

Mr Pigott pointed out that the joint venture between Daf and Enasa, the state-owned Spanish truck company, to develop and produce cabs for trucks over 14 tonnes gross weight was also about to get under way and that might lead to Leyland's cabs being produced on the Continent. "Paccar would certainly preserve cab production in Britain."

The US group would also consider switching some research and development work from the US to the UK to make use of Leyland's "modern, outstanding facilities."

Mr Pigott dismissed industry suggestions that Paccar was not seriously interested in taking over Leyland. In the past week he and another senior Paccar director, Mr Joseph Dunn, "have walked many, many miles" to inspect all the Leyland facilities.

However, without the benefit of the experience with Foden, the UK heavy vehicle producer Paccar bought for £18m in 1980, his company might well have been frightened away by the stories of excess capacity and extreme competition in the UK and Continental truck markets.

The purchase of the Foden assets "has been a good experience, a profitable experience," Mr Pigott said. "By employing some thoughts we have, we feel we can do a creditable job with Leyland."

Charles Piggott: "A very good chemistry"

There was no big conflict between the Leyland and Foden products, he said. Leyland also had long-term contacts with some African countries in which no Paccar company was so far represented.

He said Daf was the front-runner to take over Leyland because contacts between the two European companies went back many years. However, the "chemistry" between the Leyland and Paccar people since contacts started six months ago was "very good."

Scientists aim to realise the potato's potential

BY DAVID FISHLOCK, SCIENCE EDITOR

THE UBIQUITOUS potato has immense potential for further development through the new biotechnologies, although some of the most ambitious challenges might take 20 years to bring to the market.

That is the conclusion of a detailed study of the potato and the opportunities it offers the food-processing industry, by Mr John Kitching, a business consultant who has specialised in biotechnology.

At present, the food industry simply selects whichever potato best matches its requirements for chips, crisps, dehydrated forms and other fast-growing convenience foods. The result, Mr Kitching says, is large-scale wastage at the factory.

His study found wastages of 50 per cent in chip-making, about 70 per cent in making crisps, and more than 80 per cent in making dehydrated products.

His $12,500 (£8,200) report on the potato's potential has taken two years to compile and examines the situation worldwide.

It is aimed at the big food-processing groups, rather than the new biotechnology research companies, which have contributed many ideas. The processing companies, he says, have often been slow to recognise the possibilities of the new biotechnologies.

The new techniques could tailor potatoes to provide the shape, size, flavour, texture, integrity and nutritional content appropriate to each process

They could bridge the "mid-summer hole" when the potato is too waxy in texture and low in dry matter to process; alleviate or even eradicate damage from disease, pests, frost and drought; and even open up new markets for the potato as a feedstock for the chemical and pharmaceutical industries.

Mr Kitching cites progress in re-engineering the tomato into fruit more valuable to the food processor or to the domestic consumer as an example of what might be done for the spud.

The potato, although a cool-climate crop with origins high in the Andes, is grown in 128 countries. It is the world's fourth biggest crop, after wheat, maize and rice.

Classical breeding has been successful at improving certain potato characteristics, such as crop yield, but the process is slow. It takes at least 10 years to develop a variety, followed by trials for between three and five further years.

Opportunities for improving the potato (John Kitching Associates, 12 Rue d'Auteuil, 75016 Paris, France; $12,500.)

Jersey MPs to consider proposals on immigration

BUSINESSES in Jersey will need a licence to take on more staff if a measure proposed in the island's Policy Advisory Committee's report on immigration is approved by local MPs today.

Other proposals are that the maximum number of wealthy settlers admitted should be reduced from 15 a year to five, that housing licences for imported "essential employees" should be issued for a limited period only, and that the automatic right to occupy inherited property in Jersey should be removed.

The report follows public concern over the results of last year's census, which showed that the island's population had already passed the 80,000 mark.

With the present rate of immigration Jersey's population would exceed 90,000 by the end of the century, putting unacceptable strains on social resources and the environment.

In its report the committee concludes that past efforts to restrict immigration failed because not enough was done to limit the growth of job opportunities — in spite of the 1973 Regulation of Undertakings & Development Law, designed for this purpose.

The report points out that controls under the law were relaxed during the economic recession in Europe during the early 1980s to counter what appeared to be a threat to local employment. When it became evident by 1985 that controls needed to be tightened "a head of steam had been built up that it was not possible immediately to dissipate."

It also says that while the regulation has been applied strictly to non-residents who wanted to start new businesses in the island, there has been little control on businesses set up by residents.

The report attributes the growth of jobs in recent years mainly to the expansion of the finance industry, together with the resulting general pressure on services.

The main problem, therefore, is to find ways of restricting job growth in the finance industry without affecting confidence in Jersey as an international finance centre.

There is also concern within the finance industry itself over the "inability to obtain sufficient labour to cope with the business pressures, and the adverse effect this can have on service standards."

Jersey's policies over the past five years have been tilted too far in favour of economic growth, instead of protection of the environment. The report suggests there is a need for the balance to be reversed.

Controlling business expansion by licensing additional floor space, as at present, has not proved sufficient, the committee says. It urges that the Regulation of Undertakings and Development Law be amended to extend licensing to the number of extra staff required.

Companies would have to make regular employment returns, and there would be "random visits by an inspectorate."

Exemptions would be given to businesses such as hotels that depended on large numbers of seasonal staff.

The committee recommends that the regulation law should apply equally to local residents, who would be allowed to set up a business only if it was shown to be "substantially in the best economic interests of the island."

Besides recommending tighter controls over the entry of wealthy settlers and essential employees, the committee expresses interest in the idea of residence permits, the introduction of which is being discussed by Jersey's Housing Committee.

The initial reaction of the business community has been that, while the proposed measures will inevitably mean further constraints on virtually every area of commerce and industry, they are not as sweeping as had been feared.

UK NEWS

Hurd rejects demands for print clash inquiry

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

MR DOUGLAS HURD, the Home Secretary, yesterday resisted Opposition calls for an independent, public inquiry into the weekend's violent scenes outside the Wapping plant of Mr Rupert Murdoch's News International in east London.

During angry exchanges in the House of Commons, Mr Hurd condemned the violence which marred the protest, held to mark the first anniversary of the move by four Murdoch newspapers from central London to Wapping with the loss of 5,500 print jobs.

He dismissed repeated criticisms from the Labour benches over police handling of the demonstration, in which over 200 people were injured. Sixty seven people were arrested and 65 have been charged with public order and other offences. Fifteen of those arrested were print workers.

In rejecting an inquiry, Mr Hurd said it would cut across existing procedures for investigating complaints arising out of such incidents. It was for the organisers of such demonstrations to ensure there was no excuse for violence and disorder.

Mr Hurd challenged Mr Gerald Kaufman, the shadow home secretary, to say whether it was right for the police to be at Wapping or whether they should withdraw "to leave the field clear to the thugs" who were in action at the weekend.

Opposition calls for a public inquiry were led by Mr Neil Kinnock, the Labour leader, who did not join in the Commons debate but who, earlier in the day, condemned the "hideous and horrifying" violence. He said that the police could always count on his support but, because of the conflicting reports of what happened at Wapping, an inquiry should be held.

Mr Norman Willis, general secretary of the Trades Union Congress, joined the campaign for an inquiry while print union leaders issued a challenge to Mr Murdoch to return to negotiations to settle the conflict.

Times may print overseas

BY HELEN HAGUE

NEWS INTERNATIONAL is exploring the possibility of printing international editions of The Times, its quality daily title, outside Britain.

Mr Bill O'Neill, News International's managing director, said the company planned to "look at the feasibility" of printing editions of the paper in Europe, North America and possibly Asia.

"We will explore ways of going after every type of innovation and expansion in our business that we can. The option of printing editions for the non-British market is one of them," he said.

Plans to treble existing printing capacity at the company's Wapping, East London, printing plant – where The Sun, The News of the World, The Times and The Sunday Times have been printed for the past year – are already underway.

Mr O'Neill said the option of starting a London evening paper had not been ruled out, but was more likely to proceed if Mr Robert Maxwell's London Daily News, aimed partly at the evening paper market, failed.

The fresh capacity would enable News International to look at increasing the pagination of its existing titles.

Jimmy Burns and Charles Leadbeater hear from engineers on the picket lines

Unlikely strikers threaten telephones

IT WAS a rather unlikely group of pickets that gathered yesterday morning, outside Baynards House, one of the most important exchanges in the City of London which carries trunk services, and holds the packet switching so vital to financial services.

All the strikers were shareholders in British Telecom. They included readers of the right-wing Daily Mail and Daily Telegraph. Some engineers had worked for 20 years without joining a national strike, others joined the National Communications Union within the last few weeks.

But they were unanimous in their view about the causes of the strike of 110,000 telephone engineers, which began at midnight, and the significance they attach to it.

"BT has made huge profits on the back of the flexibility we have already delivered. Now they want more flexibility without paying for it properly, or negotiating it properly. We have been forced to the point where we have to stand and fight," says Lee, a skilled technical officer, who has worked for the company for 11 years.

At a time when "flexibility" deals are apparently sweeping through companies, it is easy to ignore the immense changes they can bring to people's working lives.

One of BT's proposals is to start the working day at 7am for many engineers. "That would create an enormous headache for me, as I live more than 60 miles away," says Sean, who joined BT as a technician four years ago on leaving school.

He is also worried that the company's plan to reduce the number of pay grades, combined with the proposal to recruit senior technical officers from outside the company, will limit his promotion prospects. "When I joined I hoped to stay with BT some time, now I am thinking of getting another job," he says.

Although the pickets direct most of their hostility towards BT's senior executives, they say the local management is also whittling away at hard-won agreements from the 1970s.

At Swindon in western England, in the middle of the high-tech M4 corridor, where a former BT manager is the Conservative MP, pickets were equally angry.

"They tell us we are not efficient. But I have done 28 weeks training without asking to be paid. Why did I go on strike? Because of the way they treated one of my colleagues," says one of the youngest pickets.

The colleague was an engineer who had worked for the company for 41 years. He was turned away from work last week for refusing to sign the company's "loyalty pledge," three weeks before he was due to retire.

"Anyone wanting to work on the latest technology has to give up the nine-day fortnight we won in 1978, and return to a five-day week," says Mick, a senior technical officer in the City, who has been with the company 20 years. This is just one example the way management has recently been introducing change through the back door, the men said.

BT is so out of touch with the demoralisation among the grass roots that it failed to sense how the mood was changing in the course of the negotiations, they said.

"Six months ago we would have accepted 5 or even 3 per cent as a straight pay offer without strings. But not now," says Mick.

BT managers' recent remarks about cases of sabotage has inflamed feelings. "I have worked 30 years in this company as a loyal employee, providing a public service. I do not much like it when a 'johnny come lately' senior manager who has been here for six years accuses me of deliberately endangering services," says John.

Attempts to envelop them more deeply in the commercial side of the business have also been largely stillborn, the engineers say.

All are shareholders. "It makes no difference at all, it's just another kind of bonus," says Tony, one of the London pickets. "I'll probably sell my shares before their value goes down" said one of the Swindon strikers.

In a moderate union, staging its first national strike, the reality of cold picket lines, demoralisation, borrowing from the bank, is just beginning to set in. Most of the monthly paid engineers have one more pay cheque coming to them. But while the national union is financially crippled, many local branches, like Swindon, have healthy funds to finance hardship payments.

"There is no denying the mood might change as the financial pressures begin to tell but we all know why we are on strike – it is a members' strike, not a leadership strike," says Lee.

BT managers might have one eye on the coal industry, in which jobs and old working practices have been shed as productivity has risen dramatically since the end of the 1984-85 miners' strike.

The pickets, however, believe a long dispute will leave only a legacy of bitterness and demoralisation among a previously committed workforce.

BRITISH TELECOM held lengthy talks with the National Communications Union yesterday, in an effort to resolve the strike. But in a joint statement, the two sides said they were no closer to a resolution.

There are no plans for further meetings. However, BT said the two sides could easily contact one another. The union said there was almost total support for the strike.

Mr Mike Bett, BT's managing director of inland communications, met the three-man union negotiating team, led by John Go lding, the NCU's general secretary, to "allow the two sides to air their views on the dispute."

The union reported a "solid" response to the strike call.

Minor faults have also been reported throughout Britain and Northern Ireland, where the banks are particularly anxious to maintain links since they transact a vast amount of their computer business through BT lines to Britain and the Irish Republic.

Mr Harry Greenway, a Conservative MP, called on Mr Paul Channon, Trade and Industry Secretary, to make an urgent statement to the House of Commons.

He sought information about the Government's contingency plans to limit the "untold damage" which he claimed the strike could inflict on British business.

Study of funds buying own company's shares

BY CLAY HARRIS

CORPORATE pension funds' purchase of shares in their own companies is to be studied by the National Association of Pension Funds (NAPF), which expects to publish its findings, perhaps as a guiding statement of "best practice," later this year.

The issue has been a matter of contention during the £187m bid by English China Clays, the clays to construction group, for Bryant Holdings which closes today. Bryant's staff pension fund has invested 10 per cent of its assets in shares of the Midlands-based housebuilder and property developer.

The NAPF investigation will not be limited, however, to share purchases during takeover bids.

In a statement yesterday, the NAPF's investment committee said: "We are looking at the principles raised in the Bryant-English China Clays case and have been made aware of other cases which raise the same issue."

A working party had been established to study the principles involved, the committee said. "However, in the time scale of the Bryant bid, we are unable to make any comment."

Earlier this month, the Bryant fund spent a total of £2.1m to buy 1,271,755 of the company's shares at an average cost of 172p. At Bryant's closing price of 164p yesterday, the fund was showing a paper loss of more than £100,000 before dealing costs.

Although the transactions were promptly disclosed as required under the Takeover Code, they have been criticised on a number of counts:

- The share holdings were too large a proportion of the fund's assets to be held in any one security.
- The fund had not invested in Bryant shares until the takeover battle, when the price was nearly double the price of only three months ago, increasing the chance of a loss if the price subsequently fell.

Bryant share price falls, Page 26

Expected economic benefits outweigh disadvantages

SIR FRANK LAYFIELD'S report on the Sizewell B public inquiry reaches the following conclusions:

"In forming my recommendations on whether consent and deemed planning permission should be granted for Sizewell B, I have weighed the advantages and disadvantages of the proposed station.

The disadvantages are of two principal kinds: risks to health and safety, and environmental damage to the locality. If consent is to be given, these disadvantages must be outweighed by anticipated economic benefits for the nation.

There is a national interest in maintaining an economical and continuous supply of electricity. The Central Electricity Generating Board has shown that building the proposed pressurised water reactor (PWR) is likely to save generating costs and to provide a base-load station to meet capacity need.

The CEGB established its cost-saving case for Sizewell B, though it was not as robust as the board asserted. A new power station is required to meet capacity need and should be approved in the near future.

The proposed PWR is likely to be the least cost means of adding such capacity. The building of the PWR is an advantageous course for the CEGB to take in carrying out its statutory duty to provide an economical and secure supply of electricity, and is consistent with government policy.

The site on which the CEGB proposes to build the PWR is agreed to be suitable. The site has all the necessary technical characteristics for a large power station. Among other things, the site is well placed for connection to the national grid and to assist in meeting high electricity demand in London and the south-east.

There are very few sites that are suitable for a large station. Only one other site was suggested and that is at Hinkley Point in Somerset. The choice is a marginal one. On the limited evidence given in regard to Hinkley Point, Sizewell is the better site of the two.

In those circumstances I conclude that there is national interest in building a PWR; that national interest in building the station can best be met at Sizewell. I note that as well as the presence of a nuclear power station on the Sizewell site the local planning authorities regard the existing site as, in many senses, "committed" because of several earlier consents and permission for a power station including one for an advanced gas-cooled reactor (AGR) in 1969.

I conclude that the CEGB has discharged the onus of proof that national need overrides the local interest in favour of conservation.

There should be good confidence that Sizewell B, if built, would be sufficiently safe to be tolerable. My conclusion that the risks would be tolerable depends on the Nuclear Installations Inspectorate (NII) continuing to satisfy itself about safety throughout the rest of the design, construction, operation and decommissioning of the plant if consent is given.

My confidence in the safety of Sizewell B is reinforced by the engineering experience and judgment of the CEGB which was consistently shown to be of the highest order.

The board's excellent safety record adds assurance. But that is not enough. It is also necessary to determine whether national economic benefits from the station are sufficient to justify the risks imposed by a nuclear power station.

The national advantage in achieving cost-saving generation of electricity by Sizewell B, followed by its contribution to meeting capacity need in the *mid-1990s, seems to me to be of* great value.

Some further national benefit is to be gained from a step to reduce the CEGB's reliance on one principal fuel. In my judgment the expected national economic benefits are sufficient to justify the risks that would be incurred.

For the reasons I have given in this chapter, founded on the conclusions I have stated throughout the report, I recommend that, pursuant to the CEGB's applications of January 1981, consent and deemed planning permission for a PWR power station, Sizewell B, should be granted, except that deemed planning permission should be refused for the proposed second access road.

The other recommendations I have made and the conditions I recommend are intended to identify what further actions are needed. I place considerable importance on the recommendations I have made in regard to safety."

Sizewell B Public Inquiry Report by Sir Frank Layfield.

Summary of conclusions and recommendations; HMSO; £4.95.

Full report in eight volumes; HMSO; £30.00.

Summary

Summarising his conclusions, the inspector says:

"Safety, economic and environmental aspects were considered separately in evidence largely for practical convenience; those aspects are closely inter-related.

"If consent is to be given to Sizewell B, the disadvantages of risks to health and safety and of environmental damage to the Sizewell locality must be outweighed by anticipated economic benefits f

"There is a national interest in building a PWR. That national interest can best be met at Sizewell B. The CEGB has discharged the onus of proof that national need overrides the local interest in favour of conservation. In my judgment the expected national economic benefits are sufficient to justify the risks that would be incurred.

"I recommend that, pursuant to the CEGB's applications of January 1981, consent and deemed planning permission for a PWR power station, Sizewell B, should be granted except that deemed planning permission should be refused for the proposed second access road."

Sir Frank Layfield: head of the 340-day public inquiry and author of the 2,000-page report

Station 'will provide cheapest electricity'

On economic aspects Sir Frank concluded that: "Sizewell B is likely to be the least cost choice for new generating capacity. The probability of a coal station having lower costs is remote. The chance of an AGR having lower costs than Sizewell B is not large. The cost advantages of nuclear stations compared with coal capacity would be reinforced by benefits from the achievement of greater fuel diversity.

"On economic grounds alone, the project should go ahead now because:

"The interval between building now and building to meet capacity need has become small and might even be negligible. So the risks of constructing the station in advance of need are greatly reduced compared with construction five to 10 years ahead of need.

"It would on my central estimates reduce the costs of generation.

"It would be prudent to construct a type of station new to the UK with some time in hand. To do so would avoid costs caused by standing down the project team and remobilising it later"

Objectors claim cost estimates wrong

On the economic case, objectors maintained that:

"The CEGB had seriously under-estimated the time and cost of constructing Sizewell B and over-estimated likely plant performance and future fossil fuel prices. Sizewell B would not be cost-saving when these estimates had been corrected.

A number of projects offered the prospect of greater economic return than Sizewell B. These included alternative sources of electricity supply and measures to reduce electricity demand.

The development of these and other alternatives would significantly defer the date when Sizewell B would be required to meet capacity need.

Fuel diversity could be increased in a number of ways other than by the construction of Sizewell B.

The method used to evaluate the full cost of Sizewell B was too limited and should be extended to examine the effect of the station on the national economy."

'Radiation hazard would be small'

EXCERPTS from the conclusions on safety in the Sizewell B inquiry report:

As the examination of safety was not exhaustive, I place a great deal of reliance on the CEGB and NII to provide continuing assurance of safety. Both organisations demonstrated an impressive degree of technical competence. Sir Frank Layfield's overall conclusions on safety are:

- The information provided by the CEGB and NII was sufficient for a judgment to be made on safety for the purpose of a recommendation on consent.
- The CEGB's and NII's criteria by which plant safety was judged were generally satisfactory, despite shortcomings in their justification.
- The CEGB's and NII's approaches to design and to safety assessment were sound.
- The safety criteria for both normal operation and for accidents were likely to be generally satisfied by the design. But doses to workers might not meet the fixed numerical criteria and would be tolerable only if they satisfied a rigorous application of the principle that they be as low as reasonably practicable.

An accident at Sizewell B, if built, would almost certainly have tolerable consequences, at worst requiring measures such as the banning of milk near the station. Theoretically possible accidents which could cause hundreds or thousands of deaths would almost certainly not occur.

- The risks from Sizewell B would be likely to be dominated by those from normal operation. These risks would themselves be very small. It was likely that no member of the public would be killed by Sizewell B, either in the UK or elsewhere, although there was a significant probability that one death might occur.

Sir Frank said his best estimate was that one or two workers at the station would die of radiation-induced cancer, and one worker would die of occupational causes other than radiation exposure during the lifetime of the station.

It was most likely that there would be no radiation-induced hereditary diseases in the children and grandchildren of workers, although there was a significant probability that one such effect might occur.

- The risks to workers at the station might be higher than risks to workers in most other industries considered to have high standards of safety. Constraints on the exposure of workers to radiation would therefore need to be reviewed and appropriate action taken;
- The CEGB and NII both possessed a sufficiently high degree of engineering and managerial competence to ensure plant safety;
- There were no other safety problems caused indirectly by the operation of Sizewell B, such as radioactive waste management, that would give rise to intolerable risks.

Objectors point to intolerable potential risk

ON SAFETY, the objectors contended that:

- Nuclear power was by nature highly dangerous, and could not be used safely at all.
- PWRs were inherently unsafe, or inherently less safe than gas-cooled reactors.
- Overseas experience included a number of potentially dangerous accidents to PWRs. PWRs were therefore unsafe.
- One safety criteria applied to the Sizewell B design were not strict enough.
- Even if the possibility of a major accident at Sizewell B was small, the consequences were potentialy so great as to be intolerable.
- The uncertainties and shortcomings in the CEGB's safety analysis were so large that there could be no confidence that the plant would meet safety criteria.
- Human error in design, manufacture, construction, operation and maintenance could cause and exacerbate accidents in an unpredictable way.
- The risks to operators and the public from normal operation were too large.
- The safety consequences of associated activities, such as transporting spent fuel and disposing of radioactive wastes, were intolerable.
- The effects of radiation on man had been under-estimated.
- The institutional arrangements for ensuring nuclear safety were inadequate, as were emergency plans for coping with an accident at Sizewell B.

Landscaping could screen station

ON THE environmental impact, Sir Frank said: "The new station would be a totally inappropriate intrusion into the Suffolk countryside.

"The CEGB's architectural design is good, though necessarily governed by engineering requirements. Landscaping could improve the site's appearance and partially screen the site from surrounding areas.

"I strongly favour the landscaping scheme for the northern end of the site proposed by the Suffolk Preservation Society in preference to the Board's proposals. The detrimental visual effect of Sizewell B on the local landscape would be so great that unless the proposal is held to be justified in the national interest, consent and permission should be refused."

CEGB failed to choose best site, say critics

THE MAIN criticisms on siting and local environmental aspects were:

The CEGB had not selected the best site for the first PWR. Hinkley Point in Somerset would be a better site.

The proposed designated route to the Sizewell site for commercial construction traffic would be environmentally damaging. An alternative route between the A12 (T) and the site should be found.

The proposed new private access road to the site was unnecessary. If a second access road were deemed necessary a cheaper and less visually and ecologically damaging alternative could be found.

Leiston, the town nearest to Sizewell, had not benefited from Sizewell A, and would not benefit from Sizewell B. In particular, job gains would be few and temporary, and housing and public services would suffer.

It was also argued that:

Government policy and the inadequacy of international safeguards might lead to the diversion of plutonium from Sizewell B from civil to military use.

The political, economic and social consequences of conditions in uranium mines would endanger the flow and cost of uranium supplies.

Max Wilkinson considers the assumptions about future costs of oil and coal

How Sir Frank steered clear of a pricing pitfall

SIR FRANK LAYFIELD has steered skilfully round the difficulty that world oil prices collapsed after he had finished taking evidence, and cannot therefore be directly discussed as a basis for his conclusions.

As he acknowledged, the economic case for building a new pressurised water reactor at Sizewell in Suffolk depends crucially on what is assumed to be the world price of oil and coal and the exchange rate of sterling for the rest of this century and beyond.

While he was completing his conclusions last year, oil prices halved from $30 a barrel. By the summer, they had halved again. Coal prices were driven down because, as he says in Chapter 70, witnesses generally agreed that coal and oil prices were related, with the price of oil effectively setting a ceiling on the price of coal.

However, *the collapse of oil* prices, like the disaster at the Chernobyl reactor in the Soviet Union, could not be formally discussed without reopening a planning inquiry that had already been the longest in British history.

On the other hand, it must have been evident to Sir Frank and his four assessors that neither even could be entirely ignored if the report's conclusions were to carry conviction with ministers, objectors and the general public.

Sir Frank appears to have framed his conclusions carefully so that they depend only on the evidence at the inquiry but are still highly relevant to subsequent events. In many ways, the more difficult issue is the effect of falling oil prices on the economic case.

He says in his introduction that however good the economic case for building the new PWR at Sizewell B, it could not be approved unless its safety were established. Even without the Chernobyl accident, the chances of such a disaster had to be weighed as an essential *part of the safety case.*

The economic arguments are more delicately shaded. A significant change in market prices undoubtedly does affect perceptions of prices over the medium term and even in the period up to the year 2030 considered by the report.

Sir Frank is in any case sceptical about the Central Electricity Generating Board's "scenario" for future world coal and oil prices, which led it to conclude that building Sizewell B would save a large amount of money because of the saving in coal burned in other parts of the system.

Because the capital cost of building Sizewell B would be substantially more than for an equivalent coal-fired station, it is important to know how much more the coal-fired station would cost to run.

The report puts considerable emphasis on evidence suggesting that the Organisation of Petroleum Exporting Countries was losing its grip over the oil market and that prices were likely to weaken from the levels of the early 1980s.

Sir Frank gives cautious endorsement to that view, suggesting that oil prices might strengthen again in the 1990s. That view is now common in the major oil companies.

It is a view that makes the CEGB scenario of steadily rising oil prices, reaching perhaps $50 a barrel by the year 2000, look questionable.

Sir Frank comments severely on the board's submissions on future exchange rates, and fossil fuel prices: "I can only regret that the board's initial evidence on those subjects was insufficient for proper understanding of either the approach or the assumptions adopted. Some of the subsequent additional material confused rather than clarified the evidence."

Nevertheless, Sir Frank says it is likely that building Sizewell B would save money even if it were not needed for the sake of generating capacity. He makes his own estimates of the likely range of exchange rates and coal and oil prices and concludes that sterling's real value *is likely to decline during the* lifetime of the station and that fossil fuel prices will rise, albeit much more slowly than the CEGB suggests.

He was more impressed by the estimate from the National Coal Board (now British Coal) that international prices might be around $86 a tonne in 2000, compared with the CEGB's suggestion of about $105 a tonne at that time (all in 1982 prices). He said a price as low as $60 a tonne was "not implausible" — a view that seems to have added emphasis now that Rotterdam spot prices have fallen to around £35 a tonne.

In spite of his scepticism about the CEGB's figures, he says the Sizewell B station could save about £14 per kw a year compared with running existing plant on which capital costs can be neglected.

That is much less than the CEGB's estimate of a saving of perhaps £70 a kw a year, but it is still a saving. Achieving it will depend upon the CEGB's ability to build the station to *time and to budget. However,* Sir Frank believes there is only about a one-in-four chance that the new station would fail to be cost-saving against existing plant.

When compared with the costs of a new coal-fired station, where capital as well as running costs have to be taken into consideration, he thinks there is a very large probability that Sizewell B would be economic, even on his more moderate view about future oil and prices.

He has also compared the economics of a PWR at Sizewell with the possibility of building another advanced gas-cooled reactor. Even taking account of improved performance and cost estimates compared with the CEGB's submission, he believes it is unlikely that the AGR could be competitive. He puts the probability of that at only about one in five.

In all those cost estimates, Sir Frank has broadly agreed with the CEGB case that the costs of decommissioning a nuclear plant are unlikely to be a serious economic drawback. *That is partly because the costs* are so far in the future that they must be deflated into present value terms by the 5 per cent discount rate used to assess the viability of the project.

GEC and Babcock stand to gain most

Contractors say the orders are unlikely to have much effect on jobs, reports **Nick Garnett**

GEC TURBINE Generators and Babcock are the two British companies that will benefit most from the contracts so far negotiated for Sizewell, providing the project goes ahead.

The Sizewell contracts on their own, however, are unlikely to have much impact on employment at the contractors because their plants are, at the moment, grossly under-loaded.

The Central Electricity Generating Board says more than 90 per cent of the total £1.6bn will be spent with UK companies. Of that, £120m has been fully committed because of the long term development work required for those contracts.

A further £325m of contracts have been negotiated subject to a final go-ahead for the project. The balance, made up of 95 contracts including most of the civil engineering work, has still to be let.

Babcock's total work is worth about £100m

The initial batch of contracts, worth £120m, include much of the design work, computer software and forgings for the pressure vessels, which are being made by Framatone of France.

In the main second phase contracts subject to final go-ahead, GEC Turbine Generators has won the turbine contract worth £80m. The principal contract for pipework, valued at £100m, has been taken by a consortium of Babcock, PED (a Babcock subsidiary) and Aiton of Derby. About £30m of this is for design work.

Westinghouse of the US, the licence source for the PWR is the prime contractor for the £140m "nuclear circuit," but much of this work would be subcontracted to British companies.

For example, Babcock Power would make the steam generators worth £12.5m. Babcock says its total contracts for Sizewell, including validation work, are worth about £100m but these will only maintain the jobs of 100 people over three to four years and will not require any new labour.

The liner plates for the reactor would be made by Cleveland Bridge. Weir won the contract for the main feed water pumps, subcontracting the motors to Lawrence Scott. The auxilliary systems for steam supply have gone to a joint venture of the National Nuclear Corporation and Westinghouse.

The United Kingdom Atomic Energy Authority would carry out £30m of testing and validation work and British Nuclear Fuels has taken the £7m contract for designing the fuel.

GEC has won turbine contract worth £80m

Northern Engineering Industries, which of the main power generation equipment manfacturers is probably the most short of work, has no signficant contracts for Sizewell, but would hope to take a substantial part of the work for the two coal fired stations for which the CEGB is expected to begin ordering in the next twelve months.

No unacceptable risks to public or staff

David Fishlock on consideration of the 'most important subject'

THE Sizewell B nuclear project will pose no unacceptable risks to the public or to its own staff, given the economic benefits to be expected, Sir Frank Layfield, inspector for the Sizewell B public inquiry, has concluded.

He calls safety "the most important subject" and, while complimenting objectors for their thoroughness in analysing the safety case, he rejects their reasons for opposing the project. He confirms that any serious grounds for doubt about safety would have been sufficient for recommending that planning consent be withheld.

Sir Frank identifies a dozen main safety-related objections ranging from the view that nuclear power is by nature so dangerous that it should not be used, to the inadequacy of emergency plans for an accident at Sizewell, involving the proposed pressurised water reactor.

In response, he poses nine questions of his own, the answers to which add up to an unequivocal acceptance of the safety case as it stood at the end of the inquiry. His conclusions rely heavily on the integrity of the Central Electricity Generating Board, the project's originator, and the Nuclear Installations Inspectorate, as independent safety assessors.

He acknowledges that he is placing "a great deal of reliance on the CEGB and NII to provide continuing assurance of safety," but says he is confident that it is justified. Tribute is paid to the quality of their evidence at his inquiry "and the way it withstood searching and extensive examination."

Both organisations demonstrated an impressive degree of technical competence and "no significant shortcomings were revealed," he says.

An accident at the plant would "almost certainly have tolerable consequences," he finds, at worst requiring such measures as a ban on the drinking of milk produced near the *station. "Theoretically possible* accidents which could cause hundreds or thousands of deaths would almost certainly not occur."

Risks are likely to be dominated by those of normal operation and as such would be very small.

"It is likely that no member of the public would be killed by Sizewell B, either in the UK or elsewhere, although there is a significant probability that one death might occur."

His best estimate is that, over the 40-year life expectancy of the station, one or two of its employees may die of radiation-induced cancer, and one will die of some other occupational cause.

He finds it most likely that no radiation-induced hereditary diseases will arise in the children and grandchildren of its employees "although there is a significant probability that one such effect might occur."

But Sir Frank cautions that risks to employees may be higher than those to employees in most other industries seen as having high standards of safety, and counsels a need to review the present limits on radiation exposure at work.

He rejects the notion that Sizewell would give Britain an important new source of weapons-grade plutonium, concluding that neither in quantity nor quality would the PWR project be a suitable choice for *this purpose.*

Sir Frank makes recommendations on safety to which he clearly attaches much importance. One of the most widely held reasons for anxiety about the project was that an accident might be caused or aggravated by human error.

He recommends that, if the project proceeds, no nuclear fuel shall be loaded into the reactor "until at least one year after a simulator for Sizewell B has been installed and is ready for use for training operators."

He calls the CEGB's targets for limiting radiation dose to its employees at Sizewell "ambitious," given its lack of experience with the PWR. So he recommends that an average annual dose of 5 milli-Sieverts should be set as an "operational investigation level" and monitored by the Government's nuclear inspectors to ensure that exposure was being kept "as low as reasonably practicable."

But he finds that the maximum extra dose to the public living near Sizewell B will not exceed 1 per cent of the dose from natural radiation.

Commenting on the accident to a PWR on Three Mile Island in March 1979—the most serious yet to this type of reactor—he says it showed that "even an accident involving a large number of serious shortcomings and errors affecting design, *human factors, and the arrange*ments for regulating nuclear safety does not necessarily cause significant harm to people."

The report recommends that the revised pre-construction safety report and the final safety report on the project should be published by the CEGB as soon as possible after it has been submitted to the nuclear inspectors. It also wants the Health and Safety Executive to publish consultation and policy papers on nuclear safety "designed to be comprehensible to the interested public."

As for emergency plans, Sir Frank recommends that the executive should review the extent of the area covered by such plans. The public should have a source of local advice to telephone inquiries about radiological protection.

HQ shift to west of England by Lloyds Bank

By Paul Cheeseright, Property Correspondent

LLOYDS BANK, one of the big five British clearing (retail) banks, is planning to move 1,400 head office staff out of the City of London to Bristol in the biggest bank decentralisation move since Chemical Bank moved administrative staff to Cardiff in 1983.

The Lloyds move is part of a general policy to move staff out of high priced and often technologically inadequate City buildings to higher grade but less expensive accommodation elsewhere.

Mr Brian Ashby, Lloyds general manager, organisation development, said yesterday that the jobs going to Bristol were those "which, with modern technology, can be done anywhere."

The bank has bought old tobacco warehouses on the waterfront at Canons Marsh in Bristol from Imperial Group, and intends to demolish these, replacing them with two custom-built blocks of offices in landscaped parkland that opens up the old quays to the public.

The development would take place in two phases, at an undisclosed cost, starting in 1988. After talks with the Bristol city authorities an application for planning permission was lodged last Friday.

Bristol planners have been anxious for some years to redevelop the waterfront, the site of disused docks.

The city has received over several years headquarters staff from financial institutions, notably from the insurance industry. The latest planned arrival is Sun Alliance.

The Lloyds headquarters staff destined to move come largely from the personnel, premises and finance divisions. The market activities of the bank are not affected.

Lloyds has recently been active in seeking new property. It is taking 160,000 square feet of space at London Bridge City, south of the Thames, and did consider at one stage letting space at Broadgate, the major City of London development at Liverpool Street station, but not for the people who are moving to Bristol.

● British Rail is spending £100m on rebuilding Liverpool Street station, in the east of the City of London, out of the profits of the single biggest office property development in Europe.

The rebuilding will mean "facilities more generous than anything we've had here for 100 years," Mr Theo Steel, the assistant general manager of BR's eastern region, said yesterday.

So far BR has received £80m from the Broadgate office development and will eventually spread from the side of the station across the platforms. The developer is Rosehaugh Stanhope.

BR profits from the development will eventually amount to "several hundreds of millions in addition to paying for the station," according to Mr Alan Etherington, BR's project director at Liverpool Street.

The fourth of seven phases in the Broadgate project starts next month. Building costs for the project are more than £800m and eventually 4m square feet of office space will be provided.

Plessey predicts fourfold rise in microchip sales

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

PLESSEY, the UK electronics group, is forecasting a fourfold increase in its semiconductor sales to around £380m over the next four years as it benefits from the output of its newly commissioned plant at Roborough, near Plymouth, on the south-west coast of England.

The initial phase of the £50m Roborough facility is coming on stream for commercial semiconductor production this week after the launch of trial manufacturing in November.

When the second phase of the development goes into production in two years' time, the company is aiming to produce £100m worth of integrated circuits on the site, where it will employ around 350 people.

In 1980, the semiconductor division's turnover as a whole amounted to only £20m, while in the financial year to this March it is expected to reach £70m.

The investment in Plymouth, adding to the group's present site in the locality and a third at Swindon, in western England, will consolidate Plessey's position as one of the two foremost indigenous UK semiconductor manufacturers alongside Ferranti.

It marks the group's drive into the latest production technology to produce chips in which the width of the microscopically fine circuits etched on the surface is below one micron, or thousands of a millimetre.

Analysts believe Plessey has a good chance of achieving its growth targets because they are roughly in line with the expected expansion in the world semiconductor market.

The company will also be concentrating on the fastest expanding sector in the industry – semi-custom chips that have an element of specialised circuitry for a specific user.

A more difficult challenge than sheer growth will be to maintain profitability. Plessey is one of the few world semiconductor manufacturers to have remained profitable during the slump in the industry over the last two years, mainly because it has stayed out of the market for high-volume commodity chips and aimed for specialised markets instead.

Its tactics in expanding production will be to continue to concentrate on these more sophisticated products, aiming its chips at four main sectors, telecommunications, data communications, industrial and military applications.

Thorn EMI produces faster teletext TV

BY RAYMOND SNODDY

THORN EMI Ferguson, the British consumer electronics group, has produced a new teletext television set which speeds up the access to teletext pages by up to 10 times.

The system, called Fastext, has been produced in co-operation with the BBC, the Independent Broadcasting authority, and the British consumer electronics industry.

The development appears to get round one of the main disadvantages of teletext – the textual information system broadcast on spare capacity on the television signal – the delay in gaining access to individual pages.

The new system can hold four pages for instantaneous retrieval in a memory in the television set. When the user presses a colour-coded button for, say financial news, there is always another relevant page held in the memory ready to be called up at the touch of a button.

Editorial staff at both Oracle and Ceefax insert the links which determine which page is inserted next in the memory ready for immediate retrieval.

Thorn believes the system, which allows users to scan through a succession of pages at between five to 10 times faster than normal, is the first of its type.

Mr Douglas Topping, technical director of Thorn EMI Ferguson, said: "The important thing was that we brought together the editorial strengths of the broadcasters and the software and storage facilities of the receivers."

The first Fastext television sets have already been produced and will go on sale in April. The new facility will add £20 to the retail price.

During this year Ferguson intends to shift the major part of its teletext production to the manufacture of Fastext receivers.

According to Ferguson, other broadcasting organisations are showing an interest in Fastext and Ireland has firm plans to launch a service later this year.

Doctors oppose more flexible drinks laws

BY LISA WOOD

THE British Medical Association (BMA), the doctors' professional association, yesterday launched its campaign of opposing a private member's bill for the introduction of more flexible licensing laws in England and Wales.

The BMA has questioned evidence, favourable to the lobby, regarding alcohol-related crime and illness in Scotland where more flexible licensing laws were introduced in 1977.

The BMA said: "Historically in this country and the recent experience in other countries is that the increased availability of alcohol only compounds the problem of alcohol abuse and its consequences.

"The evidence to the contrary is the Scottish experience following the increases in opening hours of 1976-77. The claims based on that experience are controversial and highly questionable.

"The more recent controlled survey, on the other hand, from North Carolina, has again confirmed the fact that increases in the availability of alcohol leads to a substantial increase in alcohol-related traffic accidents.

Hattersley says Labour must clarify ideology

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

LABOUR has to make unequivocally clear the ideological framework on which its policies are built if it is to avoid another general election defeat, Mr Roy Hattersley, the party's deputy leader, said yesterday.

Mr Hattersley, who was launching his latest book, Choose Freedom: The Future for Democratic Socialism, claimed that the principles of democratic socialism represented Britain's best hope of overcoming its current problems.

He stressed, however, that Labour would only be able to take advantage of its "historic moment" if it explained and promoted the ethical framework on which its policies were based.

Mr Hattersley said that the lack of ideological foundations on which to build a coalition of objectives lay at the root of the election failures of 1979 and 1983. The re-creation of that coalition required a fundamental change in attitudes towards Labour's ideology and in the clarity with which it was expressed.

In endorsing the message of his book, Mr Hattersley said that democratic socialists should seek the extension of freedom, based on the absence of restraint, combined with the widest possible distribution of resources.

Mr Hattersley said that Britain was being run by a small, self-perpetuating group which claimed it alone was capable of doing so. "The idea that the most talented people run the country is a myth. The best way to be included is to have influential or rich parents.

"There is a tradition in Britain that, in order to encourage the top 10 per cent, we neglect the other 90 per cent. We neglect the rights of large numbers who need help and encouragement."

Mr Hattersley called for a specific form of economic organisation. He said that state ownership had to be confined to "unavoidable monopolies," such as the public utilities. State provision, he continued, should be limited to the allocation of the basic necessities of a civilised society – housing, medical care, education, welfare, the maintenance of law and the defence of the state.

He said that in other areas competition was essential, although it should not be confined to privately owned companies. Independent municipal and co-operative enterprises, as well as worker shareholding, buy-outs and employee participation had to be encouraged.

Choose Freedom: The Future for Democratic Socialism by Roy Hattersley. Michael Joseph. £12.95.

Investment is Spain

In search of bargain buys

BY DAVID WHITE IN MADRID

WHEN A prominent Madrid stockbroker was told that an Englishman was planning a project to set up a holding company in Spain, he is said to have replied: "It can't be done here. There was only one person who ever did that, a certain Carlos Burdett. And that was years ago."

The point about this anecdote is that it is told by "Carlos" himself — only his real name is Charles Burdett and while described by associates as "basically British" he is actually a US-born Swiss national who has been in Spain on and off for more than 20 years.

In the last year he has worked his way back into Spanish business with a project that he claims is the first of its kind in Europe — a "blind" investment pool. This is an operation which involves his taking in shareholders' funds on a step-by-step basis and then shopping around for bargain corporate acquisitions.

Burdett has already gathered together a group of 11 institutional backers for a UK master company, has found a stock-exchange quoted Spanish company to operate through and has completed the first in a planned series of takeovers and resurrected from the past the evocative name of Hispano-Suiza.

Hispano-Suiza will be recalled as a maker of prestige motorcars of the First World War period and after, in which the King of Spain not only rode but had shares. It stopped making cars long ago. Burdett found that the original Barcelona company, now just a shell, was still on the books, but he got away with registering his own Hispano-Suiza Group in Spain. Apart from that part of the name, the two companies have no connection whatsoever.

"If I could be to financial engineering what Hispano-Suiza was in its day to mechanical engineering, it would be a nice comparison," says the 44-year-old Burdett, chairman and chief executive both of London-based Hispano-Suiza International and of its Madrid-based Subsidiary.

The UK unit started out in November 1985 as a £100 company called the Two Hundred and Seventy-Third Shelf Trading Company. Armed with a new name and $1.4m of shareholders' funds it bought control of an authorised Spanish investment trust Uninea, last May, changing its official status and turning it into Grupo Hispano-Suiza. This unit has since sold off most of its previous portfolio holdings and, with a fresh injection of capital, has made its first sally, buying up the Spanish distributors of J. C. Bamford Excavators of the UK.

Burdett had got UK stockbrokers Savory Milln to sponsor his "blind pool" idea—on the condition that he could find half the necessary backing himself. Between them they put together a list including BHF-Bank of West Germany, the M and G and Henderson fund management groups, Sanyo International, and later Hambros Bank and the Commercial Union Insurance Group. All this was before knowing what kind of business the venture would be getting into.

Hispano-Suiza International has raised its funds through two placings so far, each for 1.1m shares, the first in March at £1.25 per share, the second in July at £1.75. A third, and larger, placing is planned next month. The company has in turn contributed to a Pta 300m (£1.5m) rights issue at Grupo Hispano-Suiza, in which it holds 86 per cent. A further rights issue is now planned, as well as a Spanish convertible bond to build up the takeover war-chest.

> 'If I could be to financial engineering what Hispano-Suiza was . . . to mechanical engineering, it would be a nice comparison'
> —Charles Burdett

Burdett says he is studying "two or three" candidates for the next acquisition, and hopes that within five years the operation, with 10 or 12 subsidiaries, will be big enough to go public in the UK.

He first came to Spain as a graduate from Geneva in 1964, took a Master's in Business Administration at Insead business school in Fontainebleau five years later, and by the mid-1970s was building up an investment unit in Madrid called Grupo Velazquez, involved in property, financial services and portfolio management. The story ended there because its stock was bought up by a bank and the bank, like many other smaller institutions in Spain at the time, ran into trouble.

Burdett went on to a series of jobs and commodities and investment banking, moving to Mexico and back to Geneva. He wanted to get back into Spain. The investment pool idea was, he says, "one of those flashes." Having a master-company in the UK rather than Spain provided two advantages: backers would feel more comfortable working through London, and Spanish law would not have allowed him the substantial share options he has set aside for himself and his family.

"It was the only way to structure proper incentives for myself, and for management in the future," he says.

From February to June last year, Burdett was working at a borrowed desk in a Madrid office surrounded by lard traders, trying to get his project off the ground.

The Spanish operation, once it was set up, started with a dry run. Grupo Hispano-Suiza was outbid for its first takeover target, Sistemas AF, a leading office furniture venture which Banco Urquijo Union wanted to sell. But it immediately started negotiating for another of the assets on the bank's divestment list. Ofirex, the distributor for JCB and for other construction equipment, including that of Dresser Industries of the US. It has bought it for Pta 500m with a commitment to plough in Pta 100m more in new capital. In the red up to 1984, Ofirex made a net profit of Pta 180m last year on sales of Pta 4.3bn, and Burdett is confident of its growth prospects in Spain's rapidly recovering building sector.

His strategy towards acquisitions is to keep full control but to leave each company's management a large measure of independent responsibility. The holding group, he says, will only intervene in the setting of financial policy and targets and in offering remuneration according to performance — "a fairly new concept in Spain."

Apart from Grupo Hispano-Suiza's role as a holding company, Burdett is keen to develop a second facet, selling merchant banking expertise to third parties. The company acted as adviser to Italy's Saffa Paper Group when it recently bought a stake in the Spanish company Papelera Espanola and won a mandate with Savory Milln to take Indescomp, the Spanish distributor of Amstrad, on to the stock market.

Burdett says the takeover targets he is looking at are all in different sectors from Ofirex —in manufacturing, leisure and other distribution branches.

Robert Gibb, of accountants Arthur Young in Madrid, who helped set up the venture, sees a large field of candidates. "There are a lot of small and medium businesses in Spain, quite successful, maybe leading a rather sheltered existence up to now, but not needing too much restructuring, very often family-owned, lacking full professional management and continuity, and with possible problems of inheritance in the future."

But the complexities of takeovers in Spain and the shortage of reliable company information —Burdett boasts that by comparison his company "is so transparent it's frightening"— mean that the rate of acquisitions is unlikely to be more than about two a year.

For the investors, the venture offers an alternative means of access to Spain, where opportunities on the stock market are very limited. Savory Milln's Michael Willis-Fleming, a director of Hispano-Suiza International, says the group is seeking a balance among its shareholders, between "passive" portfolio investors and a more entrepreneurial kind of backer keen to forge industrial relationships.

Up to now, the venture relies heavily on one man's abilities, reputation and contacts. That is one reason, says Willis-Fleming, for the "raise money as you go" approach, which enables the investors to "feel they are managing the funds by themselves." But he believes the one-man-show will make way for something else, perhaps evolving as a European investment banking operation.

"It could go in all sorts of different directions," he says.

Burdett's main frustration has been his inability so far to find able young Spaniards prepared to join him in running the central business. Spain is a country that produces good executives more easily than entrepreneurs. Burdett says he has interviewed fellow Insead graduates, but they preferred careers in more established institutions.

MANAGEMENT: Small Business

Third Market

Closing another gap with 'quoted venture capital'

Charles Batchelor reports that if the new market succeeds it could have far-reaching implications for the small business community

FOR MOST of its 214 years the British stock market has been a pool for the bigger fish. The smaller company went elsewhere for funds. Suddenly all that is changing. Yesterday, some six years after it rather grudgingly created the Unlisted Securities Market (USM) for the trading of smaller companies' shares, the Stock Exchange launched its Third Market for the minnows in the corporate pond.

The new market is intended to be an informal, flexible forum for the shares of companies even younger and smaller than those quoted on the USM—itself a more relaxed version of the stock market proper.

Third market companies will only be required to provide a one-year trading record in order to obtain a listing. "Green field" ventures will also be welcomed provided they can show evidence of a well-thought out business plan. Crucially, the new market will be regulated by the Stock Exchange, which will require companies seeking a listing to be sponsored by one of its member firms.

By putting its own seal of approval on the trading of smaller companies' shares the Stock Exchange hopes to stamp out the abuses which have marred the over-the-counter (OTC) market in London.

The OTC market has flourished in recent years but has run into criticisms that some of the City firms involved engage in aggressive sales methods, do not make genuinely two-way markets and do not set rigorous enough standards for the companies they bring to market.

The creation of the Third Market is part of the international trend towards more flexible markets for small companies. The USM set the trend and has been emulated elsewhere by the establishment of the *second marché* in France and the parallel market in Amsterdam to replace the less well regulated *incourante markt*.

If the third market succeeds it could have far-reaching implications both for the small business community in Britain and for the venture capital industry which currently meets much of the financing needs of expansion-minded young companies.

Small businessmen will have a wider choice of finance, but venture capitalists may find tougher competition for the sort of emerging companies they have been backing in recent years. "Quoted venture capital" is a label which has been applied to the Third Market to suggest the hybrid nature of the funding involved.

Firstly, though, how strong is the demand for a properly regulated third tier stock market? Eight companies joined on day one and, according to unofficial estimates, as many as 200 may be listed by the end of the first year.

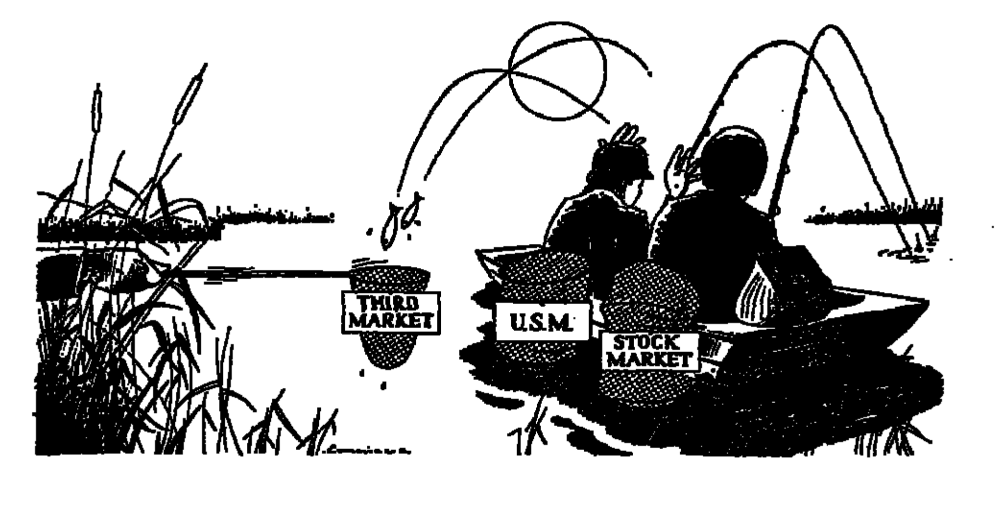
Many of these early listings will be companies transferring from the OTC market or those traded under the Stock Exchange's rule 535, which allows the matching of bargains in the shares of smaller concerns. But a growing number will be companies going public for the first time.

"There is a genuine gap for a third market," says Colin Mitchell of stockbrokers Buckmaster & Moore which currently plans to sponsor five or six new entrants. "We believe it will prove to be a major new opportunity for companies."

Not everyone is so sure. "A lot of cautious companies will want to see who else is to be quoted on the Third Market," warns John Cable, of Granville, a corporate finance house which operates its own informal market matching bargains in a number of its clients' shares. "If the new market gets an image they don't want they will steer clear of it."

What sort of company will be attracted to the new market? In fund-raising terms it will typically be a company seeking between £500,000 and £1m of new funds and with a total market capitalisation of £3m-£5m, according to John Aarons, an assistant director at the Stock Exchange.

Ted Awty, a partner in accountants Peat, Marwick, Mitchell reckons the Third Market would appeal to young companies which might otherwise have considered obtaining venture capital funding and to more established companies looking for £200,000 to £300,000 to develop a new idea.



Guidehouse, a City finance house which plans to be an active sponsor, says it would normally aim to promote companies with a trading record of at least two years and profits of at least £100,000-£150,000.

It has four companies lined up for an early Third Market listing—all of them with a fairly lengthy trading record. They include Unit Group which has a 17-year record and might be a candidate for the USM if this did not jeopardise the tax advantages it enjoys under the Business Expansion Scheme. Unit, a pallet manufacturer, was a privately-owned company until it brought in 450 new shareholders earlier this month with a £1.5m private placing.

Theme Holdings, which runs several theme restaurants, and DBS Management, which provides financial advisory services, are transferring from OTC/Rule 535 dealings. Theme made pre-tax profits of £323,000 in its last full year while DBS expects about £220,000 this year.

Despite the Stock Exchange's desire to provide a market for "greenfield" companies there appears to be little enthusiasm for this idea elsewhere in the City.

Many people believe start-ups are just too risky to entrust to a public market place. Some of the USM's most spectacular early flops were new companies.

"A percentage of start-ups is guaranteed to fail," notes Peat Marwick's Awty. "Nobody wants guaranteed losers."

What the sponsoring City firms do want from potential Third Market companies are a proper business plan and sound management. "We are very fussy," says Buckmaster & Moore's Mitchell. He has turned down two-thirds of the 15 companies which have approached him for sponsorship.

What are the companies themselves hoping to gain from a listing?

In most cases they are seeking the usual benefits of a public exposure for their company. They want the visibility which will come from their shares being included in the Stock Exchange's SEAQ information system.

Their owners want an exit route which will allow them to realise a part of their investment in their business and an independent valuation given for their shares. They also want to be able to issue more shares to make acquisitions.

But what will be the specific benefits of the Third Market? One important bonus is the fact that investors in companies traded on the Third Market will be able to retain the tax advantages of investing through the BES. A company which goes to the USM or a full listing loses its BES status.

The Stock Exchange's official backing for the new market gives a lot of companies the comfort the more buccaneering OTC failed to provide.

Theme recently acquired Leisure Development, which operates health clubs, for £3.6m, half in cash, half in shares. Theme's chairman, Roger Myers, has no doubt the prospect of an imminent Third Market listing meant his shares were more acceptable to the vendors than shares in an OTC company would have been.

The companies and their sponsors are also hoping the Third Market will be far more liquid—that it will be easier to trade their shares—than either the OTC or Rule 535. "We found our OTC shares were about as tradeable as the Polish zloty," says Myers.

Despite this optimism real doubt surrounds the liquidity question. The large number of BES investors, who lose their tax breaks if they sell out in less than five years, will not make for active dealings.

The liquidity of many of the smaller companies traded on the USM has not been very high so the fate of the even smaller third tier hopefuls is anything but certain.

If the new third tier is to establish itself, it must prove itself to be an economical — if not exactly cheap — way of raising funds.

The USM started out as a low-cost way of obtaining finance but costs have risen and a worthwhile funding exercise can now cost at least £130,000 when lawyers, accountants and advertising costs are taken into account.

The Stock Exchange has deliberately eased its disclosure requirements for new Third Market companies in a bid to keep costs down. Aarons estimates that Third Market fund-raising should only cost about half a comparable USM deal.

However, many people remain sceptical that costs can be pared so low. "I don't think the third market will be cheap," says Jonathan Davis, managing director of Guidehouse.

If the Stock Exchange has got its planning right then the OTC market will wither as small companies succumb to the attractions of the Third Market. What will happen to the venture capital industry which has achieved phenomenal rates of growth in recent years?

"For the new business looking for first-time funding the Third Market will be in competition with us," says Michael Cummings for Barclays Development Capital.

Guidehouse's Davis believes the third tier market will offer companies a better deal—that is, a higher rating for their shares — than the venture capital industry can.

Others in the City take the view that there is room for both the venture capitalist and the Third Market. Even if it attracts 200 companies by the end of year one the new market would have little impact on the UK's £3bn venture capital industry.

"There will always be deals more suited to the private venture placing," says Awty of Peats. "If you want funding in two or three tranches you will not be able to go to Third Market investors with a rights issue every 12 months."

Many deals will also require the more specialist advice and support that can come from the venture capitalist, according to Robert Drummond of County Development Capital.

"Our job is to provide the skill and judgment needed to put together packages for management buy-outs and start-ups," he says. "The market does not apply the same controls as a hands-on venture capitalist."

Even if the Third Market does mean competition for the venture capitalist it will also provide a route for him to realise some of his investments.

This depends, though, on the new market establishing a niche for itself. In the view of some people in the City, three markets—a full listing, the USM and the Third Market—will be one too many. If they are right the question is—will the USM be squeezed out by an aggressive newcomer or will it be the newcomer itself which fails to bloom?

A sector in need of more dynamism

William Dawkins on Belgium's entrepreneurs

EUROPEAN politicians who look to the small business sector to make a big impact on unemployment and provide a seedbed for world-beating technologies should think again.

That is the sobering message from Professor Rik Donckels, the otherwise cheerful director of Belgium's three-year-old Small Business Research Institute. Donckels has just completed the most detailed study to date of his country's entrepreneurs, to form part of a larger investigation by the European Commission into small enterprises throughout the EEC.

He has found that the average Belgian entrepreneur's job-creating potential and general management ambitions are very limited, for reasons that have uncomfortable echoes for their counterparts in several other European countries. "I am a little surprised—but what we have found just does not fit with the image that some politicians want to create," says Donckels.

While this conclusions are not entirely new, Donckels' study does have special relevance in a country that has pinned more hope than most on its small business sector to make an impact on the 12 per cent unemployment rate left by the dramatic decline of Belgium's once powerful steel and coal industries. It also gives broader clues as to why the majority of small enterprises can expect to stay small.

Almost all of Belgium's job gains during the first four years of this decade come from start-ups with less than five staff, with 46 per cent of all existing jobs accounted for by businesses with less than 100 employees, according to the study. But their activity was not nearly enough to make up for the jobs being lost by larger enterprises, with the result that Belgian companies overall shed 9 per cent of their workforce between 1980 and 1984.

What is more worrying is that the job gains scored by the very smallest ventures—which increased their employment by nearly 2 per cent over the same period—tail off suddenly for businesses with more than five staff, as if they had hit an automatic growth ceiling.

This might partly be because an unusually high number of the 40,000 new businesses which open every year in Belgium are sole proprietorships, not a structure which easily accommodates expansion. More than 85 per cent of a separate study by the institute of 7,700 Belgian enterprises were sole traders; and more than two-thirds of those were shops and restaurants. A mere 0.2 per cent of the sample, meanwhile, were in electronic or advanced engineering industries.

"We found very few high-technology start-ups," says Donckels. "Most of them were taking a calculated risk, operating in sectors that they know well and in local markets."

Indeed, their risks were so accurately calculated that only 16 per cent of them failed in their first year, rising to 23 per cent in the second — an apparently good score, but a bad sign for those who argue that a high small business failure rate is a sign of an entrepreneurial economy.

The Belgian Government has been almost as busy as its British counterpart in devising a barrage of measures to stimulate new industries, including grants, soft loans, guarantees and advice centres, but this has "not yet led to the desired results," concludes Donckels.

If the problem might sound familiar to those trying to squeeze more growth out of small businesses in Britain, so are the causes. The first and perhaps most important has to do with what managers want from their businesses.

"The idea of stimulating growth is a contradiction for many of these firms. They are small family enterprises financed with family money and they want to stay that way," argues Donckels.

The second hurdle—and one which is becoming increasingly politically popular among the EEC's bigger member states—is to do with the tangle of regulations that can often hinder growth. To take one local example, Belgian companies are obliged to embrace trade union participation once they reach 50 staff. Several entrepreneurs in Donckel's study admitted that they deliberately stifled their own growth prospects rather than tackle that hurdle.

Small and Medium Sized Enterprises and Employment in Belgium, free from Small Busines Research Institute, Universitaire Faculteiten Sint-Aloysius, Vrijheidslaan 17, 1080 Brussels.

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Penderecki/Festival Hall

Richard Fairman

After the turbulent history of the Polish people in recent decades, from the outrages of the war to the frustrated popular movements of the last decade, it is easy to understand the special significance that might be given to a Requiem from Polish sources. The new, large-scale *Polish Requiem* by Penderecki may well be regarded as the personal culmination of these feelings.

The Artur Rubinstein Centenery Concert on Sunday brought us the work's British premiere. In its general style this is very much the romantic Penderecki of the past few years. As in his awesome opera *Paradise Lost*, the music here has taken on the idealistic tone of the most portentous 19th-century masterpieces. The scale is imposing and the major problem for the composer is to fill the grand design with music that it sufficiently new and bold in its ideas.

It is not encouraging to find that the best parts of the score are those that were written first. The "*Lacrimosa*" and "Agnus Dei" were composed earlier as memorial tributes to individuals: both use the chorus to great effect (in the "Agnus Dei" unaccompanied) and build up a powerful emotional pull from quite simple, unashamedly melodic ideas that tug at the listener's sympathies. The yearning minor sixths of the "*Lacrimosa*" are especially affecting.

The rest of the piece is, however, only intermittently on the same level. The ground plan of Verdi's Requiem is audibly put to work and functions equally well as a large-scale structure here. But Penderecki depends heavily on the success of a few recurring ideas, such as the ominous slow tread of the lower strings in the "Requiem Aeternam" or the rushing violins in the "Dies Irae," and these are ultimately not strong or original enough to support such an imposing edifice.

Penderecki himself conducted the BBC Symphony Orchestra and there was a vocally hefty quartet of soloists: the soprano Mariana Nicolesco and bass Kurt Rydl took the greater part of the responsibilities with able support from Christine Cairns and Wieslaw Ochman. The plaudits of the evening, however, really belong to the BBC Symphony Singers and Chorus, who not only sang with admirable balance and blend, but also stayed in tune throughout the awkward "Agnus Dei."

The conclusion of the Requiem unexpectedly turns towards an affirmation of hope. As Penderecki has explained, this is to be understood as "a resurrection of our freedom, our independence," an ending that is popular in the wider sense of the word and brings extra force to the Polish vision that the composer had in mind.

Guarneri Quartet

Dominic Gill

The Guarneri may not rank among the world's great string quartets, but at their best—rarely sustained throughout the whole length of a work—they are very fine. The sound is easily recognisable: precise, steely, exquisitely tuned. They are not extrovert performers, and sometimes give the impression in recital that they are unaware of an audience, and play only for themselves. Their account of Mozart's D minor quartet (the second of the "Haydn" set) on Sunday afternoon at the Elizabeth Hall had just such polished urbanity and distance: the trio of the minuet, for example, more like a beautiful music box than a magical, other-worldly song; the finale suavely, calmly delivered, with only the barest sense of dramatic engagement.

As their performance of Janacek's first quartet progressed, the focus drew closer. In the first two movements they held back, so that a few of the high-altitude gestures—those irresistible Janacekian skyward surges—remained obstinately earthbound; but they caught the the finale's fast giddy ascent superbly, and with visible passion.

They returned after the interval to deliver Beethoven's third Rasumovsky quartet in impeccable Guarneri style: a serious, smoothly running musical mechanism, admirably clear but curiously unyielding at moments of the highest intensity. There was much skilful contrivance in their handling of the andante's complex dovetailing, but little sense of mystery. Their finale was very fast, a real virtuoso tour de force: but I have heard performances far slower that penetrated the whirlwind, nonetheless, more deeply.

Tzimon Barto/Wigmore Hall

Dominic Gill

The 23-year-old American pianist Tzimon Barto is a Christoph Eschenbach protégé who has recently caused some "controversy" in Germany—which most likely means, in the common music-agency parlance, that he received very bad reviews from all but one of the German music critics.

There was nothing controversial about his debut recital at the Wigmore Hall on Friday night. Mr Barto is a young pianist with exceptionally strong fingers, and possessed of an unflagging physical energy, who would appear to have barely a single original or convincing musical idea to his credit. The Bach G minor Toccata (BWV 915) with which he opened his programme was pure insolent pretension: a fizz of brash, ebullient kitsch, delivered throughout with the sort of bouncy rhythmic over-emphasis which popular myth holds to be one of the important ingredients of baroque music. In every musical respect it was noisy, inept and painful to hear.

Brahms's first sonata in C major might have been written by precisely the same anonymous mid-Atlantic composer. The treatment was identical: a thoughtless display of noisy bombast, leavened from time to time by a pretty effusion played entirely with the *una corda* pedal. To have been scrupulously fair, I should have stayed to hear Mr Barto investigating, with what the dissenting German critic no doubt called his "infectious enthusiasm," some shorter works by Schumann, Skryabin and Liszt; but nothing on earth could have redeemed a public delivery of Bach and Brahms as dumb as this. Mr Barto is young enough, and tough enough, to take time off for a long, hard think about what great music-making really is, and what it is that musicians actually spend lifetimes searching for and perfecting, before he considers booking a public hall in London again.

Whitworth Art Gallery, Manchester/William Packer

Degas discovered afresh

I must confess that Degas is my favourite artist for an awful lot of the time. But the matter of favourites can never be absolute to anyone professing a serious love of painting and sculpture. We go to the Prado to look at Velasquez only to find ourselves enthralled by Goya, or to Venice for Titian and Tintoretto and spend our time instead before Bellini, Veronese, Tiepolo. In Paris it might be Chardin instead of Cézanne, or Watteau instead of Courbet or Delacroix and everywhere we look, it seems, there is Degas. It would be truer perhaps, or at least fairer to Degas to say of him that he is my favourite as I look at him, only I do find myself looking at him more often than most. There is so much of him to see, and so much more to discover, that each fresh experience of his work is both seduction and revelation.

But his virtues are not simply functions of sheer quantity. Degas was an artist so dense and various in his work, so truly radical and experimental, that to succeeding generations he offers fresh challenges to criticism and interpretation and fresh rewards in experience and humane understanding. One moment he might be the first true modern, the great precursor of expressionism and the next, the great, perhaps the last true exponent of the later western tradition. He was an artist set in his own time, educated in the precepts of the established and academic neo-classicism of the 1850s, but not looking to justify himself in an ostensible public art. He was close to impressionism yet distinct and significantly apart from it, an artist fixed in the practice of the studio and workshop, always his own man. Anyone who comes to Degas is free, indeed obliged, to choose the Degas he would wish to know.

The Private Degas is an exhibition devised by Richard Thomson, of the Whitworth Gallery in the University of Manchester, and the Degas he chooses to introduce to us is the active student of the old masters, steeped in their practical example. His privacy is not that of the intimate and the personal, but of working method in the development of images and ideas.

"Make copies, young man, many copies. You can only become a good artist by copying the masters": thus Ingres to the young Degas in 1855, who took him at his word. The evidence of the early work is clear enough. In the later 1850s he worked and travelled widely in Italy, filling his notebooks with copious study of ancient and renaissance art. His first ambition was a reputation as a history painter, which remained with him at least until the mid 1860s. But what Mr Thomson is at pains to show by his admirable and concise demonstration is that then there was no essential change of heart and course at all, but change only of appearance.

"After the Bath," charcoal, by Degas

Where then is the mature Degas we thought we knew, the virtuoso who would catch the dancer on the wing and the horse in full career? Degas himself was quite clear in his mind that there was no contradiction. In about 1890 he told the critic, George Moore: "no art was ever less spontaneous than mine. What I do is the result of reflection and study of the great masters; of inspiration, spontaneity, temperament . . . I know nothing." He may protest a shade too much, but the fact remains that any problem of disbelief is ours, not his.

Seduced by delicious subject-matter, we assume thoughtlessly that movement, intuition, the instant, evanescent effect, must be everything to the work. But there never was an instantaneous art. The very passage of the hand across the page must write its own history, the image must register in the mind, the paint be mixed, the pastel chosen, the mark made. All takes thought, process, time. This exhibition shows us to salutary effect that Degas' practical study of the old masters informed his work throughout his life, which in no way confounds what we have always taken to be its essential nature, but merely qualifies and redirects our attitudes towards it.

To confront the work of Degas, of his youth and old age alike, is to experience a deep and long-considered stillness. To find the reference to the immediate and everyday world laid upon an armature of classical and renaissance example seems now more interesting than it is surprising. M Perrot, the dancing-master of 1874 commanding the studio floor, turns his head away, his arms resting high upon his long stick; in his pose he summons up the study Degas made 20 years before of Mantegna's soldier at the foot of the Cross. The Duet Rehearsal of the late 1860s has all the animation of a Venetian Annunciation, and there stands the woman with her field glasses at the races for all the world like the marble Roman matron in the Vatican Museum—chic respectability on the one hand, statuesque modesty on the other.

Secular, private, a discriminating magpie, Degas simply takes what he needs for his particular purpose from whatever source. That he should choose to put the lessons of the masters to the service of his mundane material, found in cafe and theatre, bedroom and bordello, neither betrays those high examples nor vitiates their strength. The laundress is held in a moment of eternal, definitive exertion, a true monument. Horses, reined in at the start, step lightly round each other. Expectation is all. Dancers lean and stretch themselves, awaiting their class or cue. Of all the performing arts dance alone, paradoxically, celebrates the moment of absolute stillness, poise and grace.

But in the end we are left with the works as they are, with the exquisitely assertive little dancer, head up and hands pushed down behind her, with the graphic simplicity and directness of the drawings and the lush, resolved certainty of the paintings. Reference is only reference, source only source, and it is for the artist to make of it what is his alone. With Degas just one drawing can take us from the cool, reticent composure of an Ingres portrait head to the perfunctory, exuberant accomplishment of Rodin or Schiele. And they are all such beautiful things that, as with music we cannot bear to stop, we can hardly bring ourselves to turn away.

The exhibition ends with an effective, indulgent piece of theatre. A small bronze dancer, nude *en grande arabesque*, turns slowly on her stand, her shadow coming and going, rising and falling on the screen before her. Sickert recalled Degas himself showing him the trick of it by candle-light in about 1910. The poet, Arthur Symons had had similar thoughts in the 1890s, only his dancers were Javanese: "The little amber-coloured dancers move,/Like little painted figures on a screen,/Or phantom-dancers haply seen/Among the shadows of a magic grove."

The exhibition, which is as intriguing as it is beautiful, has been put on in association with the Arts Council. It remains at the Whitworth until February 28 and moves on to the Fitzwilliam Museum in Cambridge for the spring.

Abbado's Mahler 9

Andrew Clements

Claudio Abbado's progress through the canon of Mahler symphonies has been characterised by its measured and methodical rate of absorption. He has conducted the first seven symphonies in London on several occasions each; his recordings of them have all been released. But he has not until now tackled the final group of works. On Sunday at the Barbican he conducted the *Ninth Symphony* for the first time in Britain, an account of such comprehensive command as to justify absolutely its long period of gestation.

We know Abbado to be a highly perceptive interpreter of early 20th century music, music in many cases influenced directly by Mahler's late style. From that perspective his approach to the sound world of the Ninth is immediately convincing. The first and second violins of the London Symphony Orchestra were split left and right of the platform for the performance — not at all Abbado's usual layout. It was not intended, I suspect, so much to highlight the antiphonal effects in the score than to give the string tone solidity and coherence. In a work in which so many important thematic statements are given to the strings in the middle register, the grouping of violas and cellos in the centre of the sound image, flanked by violins, naturally focused attention on that area.

That level of concern for the importance of texture and detail was carried into every aspect of the symphony. The emotional grasp of the first movement was plotted as precisely through its sharply defined blocks of colour as through any expressive rubato or abrupt changes of tempo: musical layers were peeled away to reveal a churning mass of instrumental lines beneath, or restored to lend a glassy sheen to the climaxes. The very lack of drastic gear changes or exaggerated distortion compelled coherence, driving the movement smoothy from one landmark to the next. In every movement crucial events emerged with a new significance, always placed exactly in context, always beautifully shaped. The second movement was broad, determinedly woven from coarse cloth; the third world passed at enormous speed, throwing its sequence of reminiscences into freefall, returning to the nightmare vision which Mahler touched upon in parts of the Seventh Symphony. Rarely are the links between those two symphonies so boldly underlined.

Abbado's is not a poignant view of the Ninth Symphony. It is noble, exalted, serene in the final movement, but does not wring out the pathos that motivates other readings. The finale remained clearsighted, splendidly refined—the battle for supremacy between the two subject groups, the first affirmative, firmly founded in the middle register, the second dark, uncertain, all top and bottom, was laid out with stark clarity. Yet the lingering fade of the final pages was ravishingly beautiful, sustained by the LSO with a concentration and efficiency that could not be criticised. Throughout the symphony it was hard to believe this was the same orchestra that had played so wretchedly for other conductors on at least two occasions in the past two months. When the LSO played for Abbado it sounds like an international orchestra again. What will happen when he leaves them next year?

A Night on the Tiles/Oldham

Martin Hoyle

Under John Retallack's direction the Oldham Coliseum occasionally runs two or three consecutive productions with themes or styles in common. Last autumn's grim *Harvest in the North* was followed by another, more famous, Depression play, *Love on the Dole*. The current production in Fairbottom Street, *A Night on the Tiles*, will be succeeded by *Y'Shunta Joined!* in a mini-season of homely northern humour.

Not that *Tiles's* author, Frank Vickery, is native-born. Indeed, he has been described as the Ayckbourn of the Rhondda Valley (a description that recalls, unbidden, the Beachcomber review of a book by "the Anatole France of Hertfordshire"); but he has assimilated the idiom of robust northern comedy—plus a dash of Waterhouse and Hall, a nod to Donald Macgill and a twist of that ossifying Medusa of TV sitcom, Carla Lane—to come up with a product for the television age.

For the play is essentially a string of comic routines, usually in the form of anecdotal two-handers that do little to develop plot or character, linked by a number of running gags. The Friday night audience hooted and cackled ("oo-'eck!"), the local funny bone much tickled. But the three-acter, itself a rarity these days and a sign of disjointedness, might be seen to best advantage in weekly half-hour instalments.

Judith Croft's excellent back-garden set displays the all-important outside lavvy from which gentle Gareth, on his wedding night, overhears details of the affair between his bride and his brother and the doubts about the expected child's paternity; and where, by the same mechanics, lady-killer Kenneth discovers he is not Gareth's brother after all.

It also displays the house next door whose rouched curtains and clothes-line draped with large, frivolously-hued undies prepare us for the talkative neighbour that Paula Tilbrook plays for exhaustingly more than her worth.

Veronica Doran and Steve Halliwell play the lads' parents well enough to rescue the characters from stock (Miss Doran is a little too young), but not to redeem jokes about Auntie Alice's wind and bowels (*Ayckbourn*, did they say?). Interestingly, the author shows much more promise when, freed from rib-nudging facetiousness, he deals with the rival brothers and the girl between them. Actors and director rise gratefully to the challenge of subtlety. David Birrell's Gareth is sensitive but not wimpish, while his Lothario brother and troubled, good-hearted bride are very well played indeed. Meriel Scholfield's Shirley is a natural: down to earth, unaffected and touching. Malcolm Scates, even when farcically contorted by sympathetic pregnancy pains, confirms the style he showed when noted in these pages a couple of years ago in a touring fringe Moliere production. Both performers will go far.

Bournemouth Symphony/Festival Hall

David Murray

The gratifying house that the Bournemouth Symphony drew on Friday to the Festival Hall was partly explained by the guest soloist, 14-year-old Corey Cerovsek. There were many parents lugging possibly musical offspring. Some left at the interval, either because they thought Shostakovich's Fifth Symphony unsuitable for children or because they had been discouraged by the very tame *Till Eulenspiegel* which began the concert. They missed a notable performance: perhaps Strauss's *Till* (in which some familiar pungent passages emerged quite characterless) had lost rehearsal-time to the Shostakovich, which was scrupulously prepared.

In fact the Fifth Symphony was not only strongly shaped, as one expected from the conductor Rudolf Barshai (a Shostakovich pupil), but continuously gripping. There were no exaggerated climaxes, and the quick movements were not chivvied along; the lean lyrical lines, phrased with acute sympathy, carried everything. Barshai kept the orchestral textures astringent, and so quite simple instrumental effects—like the harp at the end of the Largo, which had commanded rapt silence from the audience throughout — made a pristine impact.

The Symphony rarely sounds so unregenerately Russian. The Mussorgskian echoes in the harmony sprang out, and some basic early-Chaikovsky too; the angular counterpoint betrayed its roots in the Russian tradition that reaches back to Glinka's *Kamarinskaya*. One realised how much is lost by conductors who translate the piece into conventional Western terms of symphonic drama and irony. Among several fine orchestral soloists Bournemouth's first flute was excellently fresh, idiomatic and telling.

Young Cerovsek (Canadian, of Czech-Austrian parents) did not disappoint. He played Mozart's A major Violin Concerto, rather than something with the 19th-century fireworks that performing prodigies usually prefer. The combination of cheerful, unassuming manner and gleaming technical security was impressive; more, there was no whiff of well-drilled "interpretation," nor any attempt to inflate his tone beyond the size natural to his slight frame. Better still, his playing was instinct with musical conviction, relatively innocent but elegant and utterly serious. The nicest kind of prodigy, in short: not to be rushed after while he is still precociously clever, but to wait for while his astonishing promise matures. He sounds like the real thing.

Helen Mirren as Madame Bovary

Helen Mirren is to play Emma Bovary in a new play by Edna O'Brien, adapted from Flaubert's novel.

Directed by Lou Stein, *Madame Bovary* opens at the Palace Theatre, Watford on January 29 and will run to February 21.

Saleroom/Antony Thorncroft

Dream price for Oxford

Sotheby's in London held its first major sale of the year yesterday, disposing of drawings and watercolours. The morning session totalled £138,127 with only 5 per cent unsold. There were many new buyers as well as dealers stocking up after last week's watercolour fair in London.

The top price of £25,300 was paid for a view of Oxford by the much-collected Miles Birket Foster. It is a very appealing picture, but even so, the price was well above the £15,000 top estimate. Another work by Foster of a very different subject, children on a beach at low tide, doubled its forecast at £10,450.

Watercolours often find new homes in the provinces so it was hardly surprising that the Worcester dealer Richard Hagen paid £9,900 for a scene by Hector Caffieri of fishermen landing the catch: its top estimate was £3,000. A bucolic painting of children outside an idyllic, if dilapidated, cottage by William Coleman sold for £5,720 and a view of Whitehall by Herbert Menzies Marshall, which brings a little of the Parisian Belle Epoque to London, made £4,180.

Meanwhile at Christie's in New York at the weekend an embroidered picture of a hunting scene sold for $187,000 (£120,645), or 10 times its estimate. Not surprisingly it was a record for an American textile. It was made by Mary Flower in Philadelphia in 1768 at the age of 24, and now joins the collection of Eddy Nicholson of the Congoleum Corporation, who has been a major force in pushing up prices of Americana in recent years. In October he paid $1.1m for a wing chair.

National Trust as patron

The National Trust is to become a patron of contemporary artists. It is to commission paintings of its properties, the personalities associated with them, with the art going on show alongside the *furnishings of the past*. The Trust has been criticised for presiding over museums. This initiative confounds that view.

A Foundation for Art has been set up under the chairmanship of Sir Brinsley Ford and a target of £45,000 has been fixed. So far £12,000 has been raised, thanks to the generosity of Britoil and the J. Paul Getty Junior Charitable Trust.

There have already been commissions: Derek Hill has completed a portrait of Lady Mairi Bury, which will hang in Mount Stewart, and a bust of Mr Henry Harpur Crewe, who guided Calke Abbey towards the Trust, has been undertaken by David Williams-Ellis. Cherryl Fountain has painted the garden at Sissinghurst, and Peter Greenham has worked at Buscot, and is donating the painting to the Trust. Other artists being approached include Bernard Dunstan and Roderigo Moynihan.

The success of the scheme depends upon the success of the National Trust in raising money from sponsors and friends. Obviously some established names will like the idea of their work hanging at Petworth, or some other great house, and will donate their time. Younger artists will see it as an important and encouraging commission.

A.T.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

January 23–29

Opera and Ballet

PARIS

Roland Petit and Ballet National de Marseille present The Blue Angel at the Palais des Sports, Porte de Versailles (4828 4010).

Ballets Van Dantzig/Balanchine conducted by Lothar Zagrosek. Van Dantzig's choreography of Sans Armes, Citoyens, to Berlioz' music, is followed by symphony in three movements by Stravinsky in Balanchine's choreography. Paris Opera.

WEST GERMANY

Berlin, Deutsche Oper: Die Macht des Schicksals has fine interpretations by Mara Zampieri and Giorgio Lamberti. Der Troubadour is a Herbert von Karajan production. Zar and Zimmermann has as leads Gudrun Sieber and Andreas Schmidt. Die Hochzeit des Figaro stars Pilar Lorengar, Carol Malone and Wolfgang Brendel. Further offered Die Lustigen Weiber von Windsor.

Hamburg, Staatsoper: Le Nozze di Figaro is a joint project between Hamburg and Salzburg Mozarteum. Zar and Zimmermann is a well done repertoire performance. Katja Kabanowa has a particularly strong cast with Nadine Secunde, Daphne Evangelatos and Franz Ferdinand Nentwig. Otello brings Julia Varady, Hildegard Hartwig and Vladimir Atlantow together. Il Trovatore has Awilda Verdejo, Giorgio Zacanaro and Franco Bonisolli.

Frankfurt, Opera: Eugen Onegin features Helena Doese, Marga Höffgen and Benjamin Luxon. Don Giovanni is revived with Benjamin Luxon in the title role, beside Helena Doese, Norma Sharp and Franz Meyer singing other parts; but Berghaus' production of Die Walküre will be conducted by Michael Gielen. Also in the repertory: Orpheus in Der Unterwelt and Der Wildschütz.

SPAIN

Barcelona, Bellini's La Sonnambula with Enedina Lloris, Rockwell Blake and Francesco Ellero. Orchestra conducted by Armando Gatto. Gran Teatre del Liceu, La Rambla 65. (318 91 22).

ITALY

Milan: Teatro Alla Scala: Salomé conducted by Kent Nagano and directed by Robert Wilson, who also designed the scenery. The cast includes Eva Marton, Bernd Weikl, Helga Dernesch and Hermann Winkler; by George Balanchine with Paola Maccaferri and Biagio Tambone; Riccardo III by Flavio Testi, conducted by Roberto Abbado and directed by Virginio Puecher. (80 91 26).

Rome: Teatro Dell'Opera: Carmen, in the Teatro Communale di Firenze production, conducted by Jacques Delacote and directed by Silvia Cassini, with Elena Obraztsova, Jose Carreras, Silvano Carroli and Daniela Dessi (46 17 55).

Bologna: Teatro Communale: L'Italiana in Algeri conducted by Bruno Campanella and directed by Jean-Pierre Ponnelle, with Martine Dupuy, Ruggero Raimondi and Enzo Dara. (22 29 99).

Trieste: Teatro Communale Giuseppe Verdi: Budapest Opera Company's production of Kodaly's Hary Janos, conducted by Tamas Pal and directed by Laszlo Vamos. (63 19 48).

VIENNA

Staatsoper: Cavalleria Rusticana and Pagliacci conducted by Baresy; Attila conducted by Mackerras with Chiara, Ghiaurov, Cappuccilli; Der Fliegende Holländer conducted by Schneider with Gessendorf, Lilova. Staatsoper im Künstlerhaus: Die Weisse Rose conducted by Udo Zimmermann with Gabriele Fontana, Wolfgang Holzmair. (51 444/2655).

Volksoper: Hansel and Gretel; Fra Diavolo; Das Land des Lächelns; Wiener Blut. (51 444/2655).

NETHERLANDS

Amsterdam, Muziektheater. London's Royal Ballet with Mayerling MacMillan/Liszt). (Mon, Tue, Wed 2 perfs). Mussorgski's Boris Godunov performed by the Netherlands Opera conducted by Hartmut Haenchen and directed by Harry Kupfer, with Robert Lloyd in the title role (Thur). (255 455).

Amsterdam, Carré. Der Bettelstudent from Hoofstad Operette (Tue to Thur). (225 225).

Nederlands Dans Theater with Heart's Labyrinth (Kylian/Schönberg), Children's Games (Kylian/Mahler), and a new ballet by Ed Wubbe. Tue in Nijmegen, Schouwburg (12 56 45), Thur in Scheveningen, Circus Theatre (55 88 00).

Scheveningen, Circus Theatre. The Royal Ballet of Flanders with Romeo and Juliet (Panov/Prokofiev). (Tue, Wed). (55 88 00).

Amsterdam, Meervaart. The Krisztina de Chatel dance group (Thur).

NEW YORK

Metropolitan Opera (Opera House): The week features La Clemenza di Tito conducted by James Levine in Jean-Pierre Ponnelle's production with Carol Vaness, Gail Robinson, Tatiana Troyanos, David Rendall and Julien Robbins; Tannhäuser conducted by James Levine in Otto Schenk's production with Jessye Norman, Eva Randova, Richard Cassilly and Jan-Hendrick Rootering; and Rigoletto conducted by Thomas Fulton in John Dexter's production with Mariella Devia, Sherrill Milnes, Dano Raffanti and Dimitri Kavrakos. Lincoln Center (362 6000).

New York City Ballet (New York State Theatre): The company's 38th season continues with mixed programmes including Variations pour une Porte et un Soupir, last seen a decade ago and Vienna Waltzes. Lincoln Center (870 5570).

International Festival (City Centre): The Lyon Opera Ballet in its American premiere performs all new pieces, starting with Maguy Marin's choreography for Cinderella in a three-storey doll's house set, followed by a week of mixed programmes including works by Nils Christe, Nacho Duato and William Forsythe. 55th St. east of 7th Av. (246 8989).

WASHINGTON

Washington Opera (Terrace): Monteverdi's Coronation of Poppea directed by Christopher Alden and conducted by Nicholas McGegan puts Nero's Rome in a contemporary big-business setting with Emily Golden, Rodney Hardesty and Will Roy. The week includes Strauss's Wiener Blut starring Sheryl Woods in Zack Brown's 1980 production of Don Pasquale in a new production by Douglas Wager conducted by Cal Stewart Kellogg with Francois Loup in the title role, Pamela South as Norina and Gran Wilson as Ernesto. Kennedy Center (254 9695).

CHICAGO

Lyric Opera: La Bohème returns to the repertory with John Mauceri conducting John Copley's production with Gabriela Benachkova, Giuliano Ciannella, Alan Titus and Paolo Washington. Ghena Dimitrova takes the title role in La Gioconda, conducted by Bruno Bartoletti in Filippo Crivelli's production with the Chicago City Ballet. (332 2244).

TOKYO

Tokyo Ballet Company in Maurice Bejart's The Kabuki adapted from the Kabuki play Revenge of the 47 Samurai. First Tokyo performance after European tour. Tokyo Bunka Kaikan (Wed). (723 2356).

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Tuesday January 27 1987

A future for nuclear power

THE Layfield report concludes unequivocally that there is a national interest in building a pressurised water reactor (PWR), that the national interest can best be met by building the station at Sizewell in Suffolk, and that the economic benefits outweigh the risks which are likely to be incurred. These conclusions are welcome.

They offer the prospect that after 20 years of false starts, mismanagement and political indecision, the UK's nuclear power programme can at last be put on a sound footing. There are still uncertainties about aspects of the programme—not least over the industry's ability to build PWR stations on time and at an acceptable cost—but the Layfield report provides the basis for clear political decisions both about the role of nuclear power in supplying the demand for electricity and about the choice of reactor type.

In the immediate aftermath of the Chernobyl accident in the Soviet Union last year there was a feeling that public trust in nuclear power would never recover and that the world would have to rely on other ways of generating electricity. But it gradually became apparent, thanks in part to Soviet openness, that the conditions which led to the accident, including the reactor design, did not exist in any western nuclear power station. It was also recognised that the economic consequences of abandoning nuclear power would be extremely damaging. That such an accident as Chernobyl can occur, like Three Mile Island before it, has profoundly increased popular anxieties about nuclear power, but the practical consequence is to focus even more attention on the careful assessment of risks and benefits which is contained in the Layfield report.

Urgent need

The report recognises that nuclear power involves the possibility of "accidents which could kill hundreds or even thousands of people." But it says that nuclear power is not unique among industrial activities in this respect. It believes that the Central Electricity Generating Board, which has an outstanding safety record and has access to large amounts of worldwide PWR operating experience, is capable of operating Sizewell safely, and that its arrangements for minimising the risk of human error are satisfactory. As for the PWR itself, Layfield accepts the CEGB's claims about the effectiveness of its procedures for ensuring the integrity of the reactor pressure vessel.

There are other aspects of nuclear safety, not directly relevant to Sizewell, where Layfield is not wholly satisfied. The report underlines the importance of safety improvements at the Sellafield reprocessing plant. It also refers to the urgent need for providing new sites for low-level and intermediate-level radioactive wastes. But Layfield concludes that "there are no reasons connected with the management of radioactive waste why consent for Sizewell B should be refused."

Layfield thinks that the CEGB over estimated in its evidence the likely future price of heavy fuel oil and coal, but this does not affect the report's conclusion that the PWR would be the least cost choice for new generating capacity and that it would be cost saving to build Sizewell B in advance of need; in practice the interval between building now and building to meet capacity need has become small or even negligible.

Decisive turn

As for the alternatives, Layfield is in no doubt that a coal-fired station would have considerably higher costs. Sizewell B should have lower costs than an Advanced gas-cooled reactor (AGR), although the gap is less than in the case of coal. Layfield points to the recent improvements in the construction and performance of AGR stations; his comments about reactor choice may offer some comfort to supporters of the AGR. But the report does not support the idea that the AGR should be preferred on grounds of safety, while the balance of economic evidence points in favour of the PWR. Following Layfield, the Government would be fully justified in concentrating future reactor building resources on the PWR.

In the history of nuclear power in Britain there have been two recurring themes—a lack of consistent political leadership, particularly on reactor choice, and a failure on the industry's part to fulfil its promises on the construction and performance of nuclear power stations; the two weaknesses have, of course, reinforced each other. A prompt decision on the Layfield report could mark a decisive turn for the better.

Nakasone's lesson for Reagan

STATE OF the union, or nation, messages can range from the sublime to the ridiculous. Too often they are exercises in empty rhetoric and self-congratulation. But two of the genre, one delivered in Tokyo yesterday, the other to be heard in Washington tonight, warrant closer than usual inspection.

Both speakers are "lame ducks," though the latest word from Tokyo is that Mr Yashuhiro Nakasone is having second thoughts about his promised political mortality later this year. Both have enjoyed remarkable popularity and both are, by any standards, conservative. Yet the marked contrast on this occasion is that while the Japanese prime minister still appears to be relentlessly looking forward, President Ronald Reagan, once the apostle of genial optimism, seems paralysed by the appalling mistakes of the recent past.

Mr Nakasone's speech was not filled with bombshells. He did not say Japan would rearm to the hilt. He did not promise that Japan would do all its trading partners want of it. He did not commit his country to instant fiscal stimulus on the scale that others would like. But he did talk, with some frankness, of the need for "fiscal flexibility," a welcome departure from the entrenched doctrine of austerity; and he did state that Japanese agriculture should be reformed so that "products can be made available to the people at reasonable prices," a thought not hitherto contemplated by Japan's farmers and their powerful political allies.

Losing confidence

More important still, Mr Nakasone set out to question some of the practices which have made Japan appear, as he put it, bound by "increasing resort to tired precedent in an atmosphere of inertia and ritualistic repetition." He even had the temerity to suggest that his country was becoming more of a democracy in form than in substance, a judgment that the domestic establishment normally cares not to make on itself. These could be the words of a lame duck or of a man with unfinished business on hand. Either way, they have a point.

There are lessons in the Nakasone approach for President Reagan. His task tonight is to try to give some sense of purpose to a government which has totally lost its way and which is in the process of losing the confidence of the nation and the world. The derisive contempt in which Mr Reagan himself is now held by many thoughtful Americans is at the core of this crisis of credibility.

It is perhaps too easy to draw up a wish list of what Mr Reagan might say; there should be some encouraging signals on arms control, some recognition that US Central American awareness of the need for a consistent policy on terrorism, some sense that the trade and budget deficits cannot be wished away, some creative response to the threat of protectionism, some sympathy with the plight of America's underclasses and a real condemnation of the recent renaissance of racism.

There will, doubtless, be references to some, even all, of these in his speech. But what his country will be looking for above all else is either a sustainable explanation for Irangate or, at least, a *mea culpa* that things were done in the President's name that ought not to have been done and that ought to have been stopped at birth.

Earlier in his presidency, Mr Reagan was rather good at communicating national goals and a good segment of his domestic agenda was accomplished, to the point where three months ago it almost seemed he could sit back on his laurels for the last two years of his term. Irangate changed this in a trice. But the world outside the White House is not static in any case; the dollar's collapse needs more than benign neglect; Gorbachev's Russia is posing challenges that Brezhnev's never did; the Democrats now run both houses of Congress. Throughout all this, the President, and those around him, have had next to nothing to say.

Across the Pacific, Mr Nakasone has shown himself capable of rising to the challenge of change. Mr Reagan could do a lot worse than read what the Japanese Prime Minister had to say in Tokyo yesterday.

NASA ONE YEAR ON

Haunted by Challenger's ghost

By Peter Marsh

MRS JULIA Bumgarner, principal of the Challenger 7 Elementary School in Port St John, Florida, is in no doubt about the relevance to ordinary people of the US space programme.

The newly-built school, named in memory of the space shuttle explosion a year ago tomorrow, was formally inaugurated yesterday amidst a flurry of red, white and blue balloons. It stands just a few miles from the launch pad at the Kennedy Space Center from which the craft took off.

According to Mrs Bumgarner, the school's name will be a "good motivating factor" for its 800 pupils. She hopes they will follow the example of the secen astronauts who died in the explosion and "become good citizens, be patriotic and set goals for themselves."

Others, however, feel differently about the value of the US space programme. Many people have been dismayed to learn, over the past year, that management and technical shortcomings within the US National Aeronautics and Space Administration (Nasa) were at the root of the accident.

There is persistant questioning over whether the agency, which has run the civilian space programme since 1958, will be able to regain even a fraction of the self-confidence and drive that enabled it to put two men on the Moon 18 years ago.

"Nasa has been reorganising itself like crazy," says Mr John Pike, associate administrator for space policy at the Washington-based Federation of American Scientists. "But it will take years for it to recover."

Other onlookers doubt whether even the sweeping changes inside Nasa—the administrator and his deputy have been replaced, as have the directors of the agency's three leading technical centres—have had much effect. "Nasa's new plan is the old plan," says one Congressional staff member.

Within Nasa, the accident has left its mark. Many of the organisation's 20,000 employees were deeply shocked

"It (the accident) was our Pearl Harbour," says Mr Bill Rock, a Nasa veteran of 23 years who is manager of advanced projects at the Kennedy Space Centre. "Its like being tarred and feathered—you may learn from the experience but you wish you hadn't had it."

he role of the space shuttle is at the centre of doubts about Nasa's future. This fantastic flying machine was dreamed up in 1972 as a way to cut the costs of venturing into space, and, indeed, to make this as easy as boarding an airliner.

Over the years, Nasa believed its own propaganda about the potential of the vehicle, to such a degree that shuttle development and operations virtually took over the agency. Even now—although the remaining three vehicles in Nasa's shuttle fleet are grounded until at least early next year pending design improvements—the shuttle programme dominates Nasa's budget.

The high fixed costs associated with shuttle operation—ground support, payment of staff, test equipment and so on—mean that this year the programme will swallow up about $3.3bn of the agency's total $8.4bn budget. The rest is spent on running Nasa's technical centres, and on areas such as space science and aeronautics and propulsion research.

Nasa's overall emphasis on the shuttle seems likely to continue. The agency's new administrator, Dr James Fletcher, hopes that shuttle flights will build up quickly, starting with five in 1988 and reaching about 16 a year by the mid 1990s.

Dr Fletcher took over the top job at Nasa last May, for the second time. He had previously been in charge from 1971-77, when he played a key role in the shuttle development programme.

Most future shuttle flights will be for the launch of military payloads, experiments associated with the Strategic Defence Initiative (Star Wars) for example, and for scientific missions, such as those connected with the $12bn space station that the US, with international help, plans to build by 1997. In military missions of the shuttle, which are expected to run to about six a year in the 1990s, the Defence Department rents the vehicles from Nasa and uses its own technicians to control the craft.

Despite the problems with the shuttle, Nasa appears to be only lukewarm about bringing back into service the expendable rockets which—many would say, inadvisedly—it pensioned off in the 1970s in favour of shuttle flights.

Following President Ronald Reagan's decision last summer that Nasa should withdraw from taking commercial payloads into space, these rockets are to be operated by companies such as General Dynamics and McDonnell Douglas, in what the US Government hopes will become a thriving private-sector launcher business.

Nasa's rationale for phasing out the expendable rockets was that the shuttle fleet—in which only the solid-rocket boosters and fuel tank are thrown away, with the passenger-carrying part of the vehicle returning to Earth at the end of each mission — would be much cheaper.

Nasa's projections, however, were ludicrously wide of the mark. In 1972, Nasa was forecasting that by 1983 the cost of launching a shuttle, with a full 30 tonnes of payload, would be little more than $20m. That estimate contrasted with an actual cost in 1983 of some $250m.

Forecasts of flight rates were also hopelessly wrong. In 1977, Nasa estimated that the shuttle fleet would begin operations in 1979 and quickly establish itself, so that in 1987 it would make no fewer than 52 flights.

In 1983, two years after flights actually started, the projection for 1987 was reduced to 24 and in 1985 to 17. In the event, Nasa operated only a total of 24 flights before the accident—only nine in the most active year, 1985.

While Nasa was busy revising its forecasts, the overall costs for shuttle development soared—from an estimated $5bn in 1972 to about $25bn two years ago.

Dr Fletcher was re-appointed probably because of his intimate knowledge of Nasa and because of his good relations with President Reagan. The new administrator, a physicist with some experience of industry, who at one time was president of the University of Utah, was in charge of a panel which advised the President on setting up the Star Wars programme.

Nasa's new boss has wasted little time making management changes, to reduce the stultifying chains of command which contributed to the Challenger disaster. He has concentrated decision making at the agency's Washington headquarters, reversing the trend of the 1970s when Nasa's power base drifted away from its head office to the agency's technical centres scattered around the US.

Lack of communication between these centres—chiefly between the Marshall Space Flight Centre in Alabama and the Kennedy Space Centre in Florida—was a telling factor in last January's mishap.

The Marshall organisation, which handles propulsion development for the agency, had, it emerged, known that seals on the shuttle's solid-rocket boosters had showed signs of failure on several previous flights. But neither the launch crew at Kennedy nor officials at headquarters were told the extent of the problem. In the event, the seals burst open, causing the explosion which destroyed the Challenger craft 72 seconds into flight.

With nearly 30 largely successful years behind it, Nasa, and the politicians who were supposed to supervise the organisation, had also grown over-confident. "The shuttle is intrinsically and irreversibly a risky piece of technology," says Congressman George Brown, a leading Democrat who is a strong supporter of the space programme. "Part of the problem is that our expectations were too high."

What the post-mortem on the accident has identified as an overriding consideration, however, is the compromised nature of the shuttle design itself—which many experts would argue remains faulty despite the patch-work modifications now taking place.

To break away from the Earth's gravity, the shuttle relies on two solid-rocket boosters, which burn for the first two minutes of flight. They are vital ancillaries to the shuttle's main rocket engines, which use liquid fuel and burn for eight minutes.

In the early 1970s, Nasa engineers had argued that boosters using solid fuel were inherantly unsafe. Like a firework, they cannot be turned off—while liquid-fuel motors, which are normally used in manned space missions, are much easier to control.

The desire to keep down costs ment that the proponents of the solid-rocket system won the day. The same budget-cutting principles saw to it that the boosters were built in segments at the Utah factory of Morton Thiokol, the company that won the Nasa contract for the rockets, before being transported to the launch site in Florida.

This strategy created the need for seals to fill the gaps between the segments once the rockets were assembled-

Instead of returning to first principles, Nasa's engineers are now busy patching up the seal problem, and a new design which will be subjected to concentrated testing in the summer.

One possibility—although it looks fairly remote at present—is that Nasa may be forced to scrap the current design altogether and radically re-engineer the vehicle to produce the so-called "Shuttle-2." This would incorporate the latest ideas in instrumentation, materials and engines design, and could be in service by the late 1990s if a start were made quickly.

Nonetheless, it seems highly unlikely that flights of US manned space vehicles will ever be looked on as routine again—at least until the Shuttle-2 is flying, whenever that may be. Indeed, the climate of uncertainty which is Challenger 7's legacy casts a large question mark over the credibility not only of the shuttle, but of the entire US space programme.

This, in turn, may well harm the US's international standing

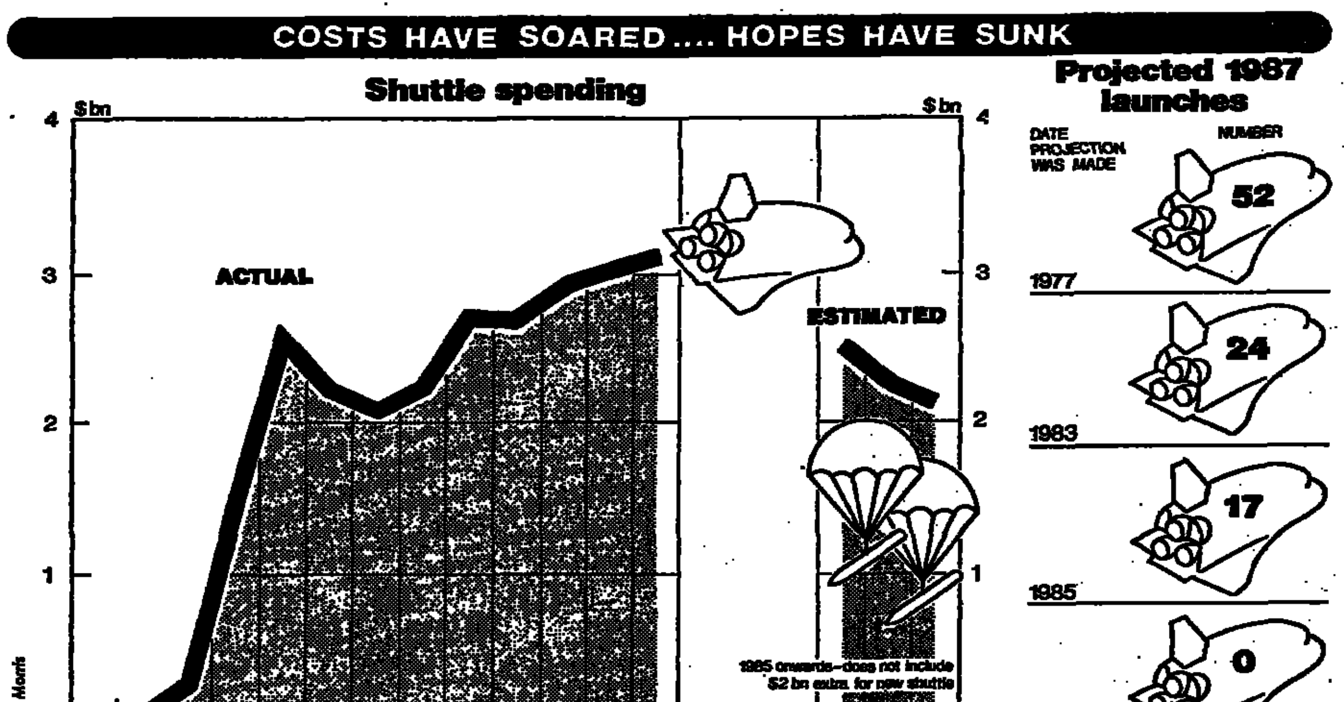
The ending of the shuttle's role in taking commercial satellites into orbit, a decision sparked by the Challenger accident, has been a big psychological blow to the whole of he US space industry. It is widely believed that this action will hand the lion's share of the commercial launch business to Arianespace, the aggressive, marketing-oriented company operating flights of Western Europe's Ariane rocket.

The problems for the US's civilian space programme will automatically highlight the rapid strides made in space by the Defence Department, which has increased its spending on space technology much more quickly than Nasa. The Pentagon, which spends roughly $20bn a year on its own completely autonomous space programme—more than twice as much as the civilian agency—has been much quicker than Nasa to react to the shuttle problems. It plans to transfer many of its cargos, primarily communications and surveillance satellites, from the shuttle to expendable rockets. Some Nasa engineers have openly expressed reservations over the extent to which the military is gaining the upper hand in the US space programme.

Despite the battering to Nasa's reputation — "the Nasa that had lifted our spirits and our pride is gone," states journalist Joseph Trento in an authoritive new book* on the Challenger disaster — the support for the civilian space programme among ordinary Americans seems surprisingly high.

Many people see the events of the past year as merely an impediment to new space excursions and new triumphs. Ms Pat Incheck, proprietor of the Hair Shuttle, a hairdressing salon in Titusville, Florida, a short distance from the Kennedy Space Centre, sums up the sentiments of many when she says: "I think things are going to be better. I am very hopeful for the future."

* *Prescription for Disaster, by Joseph Trento, Crown Books, New York.*



Men and Matters

Rejected-ever so gently

In a rare public statement soon after his report on the Windscale nuclear project, Mr Justice (later Sir Roger) Parker, the inquiry inspector, said feelingly that in such circumstances he believed the inspector could hope, at best, to retain the confidence of both parties only up to publication.

One party was then likely to feel mightily aggrieved—where there is a winner there must be a loser, he implied.

Parker's Windscale report, finding for the project as it did, badly hurt the feelings of the objectors. It set out starkly what he saw as their 17 objections—and it rejected every one of them.

A British sense of fair play should have persuaded him to accept at least one, they told him angrily.

Now Sir Frank Layfield QC, the inspector at the marathon Sizewell B inquiry, whose report was published yesterday, goes so far as to pay a handsome tribute to objectors to this nuclear project.

He compliments them on the thoroughness with which, in spite of a shortage of cash, they analysed the safety case offered by the CEGB and the government's safety inspectors.

Then he rejects their case, perhaps a little more gently, but no less decisively, than did Parker.

At least objectors cannot accuse Layfield of a lack of understanding of nuclear issues, as they did Parker for whom it was a first public encounter.

Layfield has made at least two previous legal forays into nuclear politics. One was as counsel for one of the objectors at the Windscale inquiry.

And in an earlier case he represented RTZ, the mining group, when a US nuclear company tried to have the RTZ assets in the US seized.

That US company was Westinghouse, whose technology forms the basis for the Sizewell project.

Pitheads

Peter Heathfield, the amiable and able general secretary of the National Union of Mineworkers, had only been in office 10 days when the year-long miners' strike began in March 1984.

With Arthur Scargill, the NUM president, and Mick McGahey, vice president, Heathfield formed the triumvirate that led the miners through one of the most bitter industrial conflicts of the century.

McGahey is to retire in the summer; and now Heathfield has signalled his intention to take early retirement in two years' time, at the age of 60.

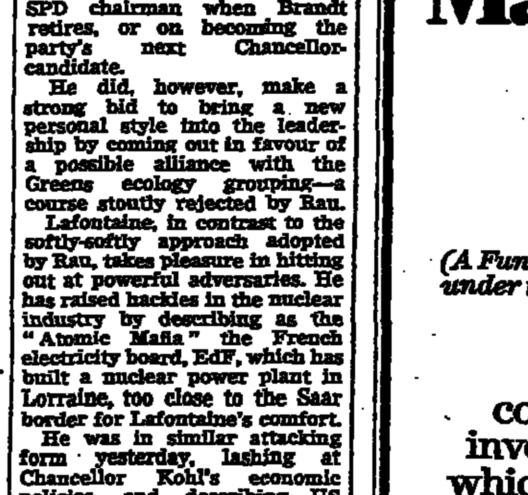
Heathfield denies that disillusionment with British Coal has prompted his decision. But the pit closure programme has continued relentlessly since the strike ended and miners have been queuing up to take enhanced redundancy payments while they last. Radical changes in working practices lie ahead.

As a staunch supporter of the principle of five-yearly elections, Heathfield made it clear at the time of his election that he would stand again, or stand down, when his five-year stint was up. Coal, he says, is now "a young man's industry."

At the height of the strike, his measured, soft Derbyshire burr sounded a marked contrast to Scargill's ranting style. And since the NUM constitution gives its president and general secretary equal power and authority, British Coal officials had high hopes that Heathfield would prove a tempering influence.

Maybe they just misread him. But Heathfield, an ex-face worker who led the Derbyshire pitmen before his election to national office, did not fulfil those hopes. The events of 1984-1985 are now largely remembered as Scargill's strike.

Within the NUM, the moves to find Heathfield's successor are already under way. Once again there are many who hope to find a man who will help to further Scargill's isolation.



Oskar nomination

At least, Oskar Lafontaine, the man tipped as perhaps the most likely to lead West Germany's defeated Social Democratic Party when it next joins the battle for power in four years, showed yesterday he has what a party needs when the going gets tough—a sense of humour.

Lafontaine is Prime Minister of the hard-up mining state of Saar, where he won an absolute majority in regional elections two years ago.

Following the defeat on Sunday of the SPD's once-favoured candidate for the Chancellorship, Johannes Rau, the party has few successful national figures on which to build its ambitions for the next election at the end of 1990.

So not a few hopes—especially those of Willy Brandt, the long-time SPD chairman—are resting on the stocky shoulders of ex-footballer Lafontaine.

The Saar Premier at a press conference yesterday was careful not to stake any premature claims either on taking over as SPD chairman when Brandt retires, or on becoming the party's next Chancellor-candidate.

He did, however, make a strong bid to bring a new personal style into the leadership by coming out in favour of a possible alliance with the Greens ecology grouping—a course stoutly rejected by Rau.

Lafontaine, in contrast to the softly-softly approach adopted by Rau, takes pleasure in hitting out at powerful adversaries. He has raised hackles in the nuclear industry by describing as the "Atomic Mafia" the French electricity board, EdF, which has built a nuclear power plant in Lorraine, too close to the Saar border for Lafontaine's comfort.

He was in similar attacking form yesterday, lashing at Chancellor Kohl's economic policies, and describing US controlled nuclear weapons on German soil as incompatible with the country's sovereignty.

But he has a lighter side too. When a journalist reminded him that people in East Germany had apparently indicated Oskar Lafontaine as the man they would most like to vote for, he replied deadpan that he was reassured that they had not come out in favour of Erich Honecker, the East German Communist leader.

Private line

The miners' firebrand leader Arthur Scargill was heard welcoming the telephone engineer's strike for a personal reason: "For the first time in 25 years my phone won't be tapped."

Observer

Letters to the Editor

UK air travel policy and regional hubs

From Mr R. Powrie

Sir,—Professional debate of UK aviation matters is of very high quality, but as well as being overshadowed by myths it is constrained by official policy. The latter is flawed in one crucial respect, in that it says that "demand must be met" and treats demand for air travel as independent of its supply. This last assumption is simply untrue. Anyone who has been involved in choosing a location for industry or commerce will be aware of the weight given to access to international air services. For more than 30 years this has contributed to persistent bias towards the south east for new investment, the stark results of which appear in the regional employment trends published on January 8. The greater prosperity in the south east is in turn an important factor in demand for business and leisure travel.

Although BA and British Airports Authority are leaders in their own fields, both are quite modest in terms of the UK economy. (One North Sea oilfield can cost much more to develop than the £950m being sought via the entire BA flotation.) Though significant, the direct contribution of aviation to the UK economy is dwarfed by its indirect influence.

Against this background, the User Committee's demand (January 6) for "immediate" consideration of a fifth runway in the south east appears quite extraordinary. Spelt out, it says that we should "blight" several hundred acres of land near London, in order to be sure that at the end of the century we can meet the last few per cent of a fluctuating demand without, it would seem, consideration of the capital cost or of the return on the investment from doing so.

What can sensibly be done in the breathing space given by Stansted? The Civil Aviation Authority could be required to take account of the development of the UK economy and of UK aviation, in addition to safety, viability and competition when advising on the award of route licences. One senses from its report CAP 500 that such an extension of its remit might be welcome to it.

More precise objectives might help: say 90 per cent of the UK population within 90 minutes drive of an international hub. This would be largely met if further hubs were developed at Birmingham and Glasgow. Both have a healthy base of charter traffic over which fixed costs can be spread. With a wider remit, the CAA could play a more positive role in encouraging regional hubs.

It is one thing to recognise a need for regional hubs, quite another to develop a hub with a network of international services strong enough to resist the pull of Heathrow. It has been said that it greatly helps a hub if it is the base for an airline whose survival depends on operations there. If so, it is unfortunate that the Government rejected the CAA's recommendation that BA's international services from regional airports should be transferred to other operators. Perhaps BA would consider putting these operations (but not its UK shuttles) into local joint venture companies.

If regional hubs are the immediate priority, more London capacity will be needed eventually. Here, there is the ironic possibility that environmentalist pressure will lead to more capacity at Heathrow. The key is London Dockland airport; not for its 1m passengers, but for showing how quiet Stol (short take-off and landing) can be. People living near Heathrow will naturally want similar benefits, but in vain—at first: the CAA has shown that mixing Stol and conventional operations reduces capacity, and the main Stol aircraft, the DHC Dash 7 can't compete on dense medium haul routes. But DHC is now owned by Boeing, bringing a real prospect that the mid 1990s will see 150-seat Stol aircraft competitive on 800-mile stage lengths.

If Stol were used for all its European and domestic traffic, Heathrow appears to have room to handle three aircraft simultaneously: a conventional large wide-body on one runway; and a Stol landing and a Stol take-off on the other. There would be formidable control and handling problems, on the ground as well as in the air. It might not be feasible, but the enormous prize—up to 50 per cent increase in capacity, at fairly low capital cost and with a substantial and much needed reduction from current noise levels, warrants a good deal of investigative work. Whether feasible or not, I suggest it is the type of environmentally sensitive and cost effective solution for which we should be looking. If the verbal trench warfare between environmentalists and developers continues, a fifth runway could give us another Stansted, as irrelevant to user needs as it is obnoxious to the local community, and a poor buy for the UK as a whole.

Rhoderick M. Powrie.

Brookfield,
Bells Yew Green,
Tunbridge Wells, Kent.

Investment needs and high tax

From the Managing Director,
EC Transport (Wimborne)

Sir,—There has been much comment recently about the need for investment in British business, to take advantage of commercial opportunities. It is quite clear that any business that wishes to grow must invest at a high level.

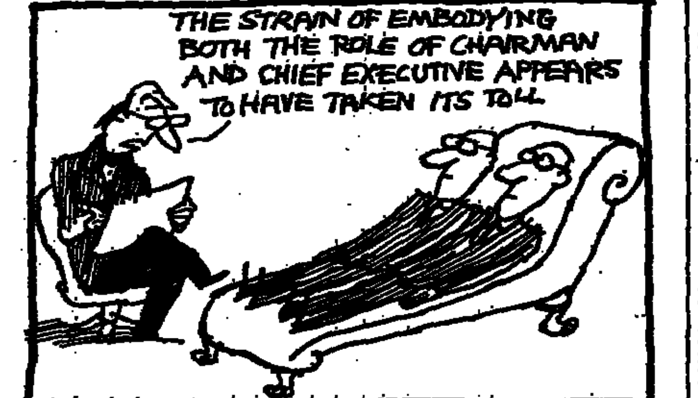
This company has for the past 11 years invested at a very high level but due to recent changes in capital allowances with a consequent increase in corporation taxes, money normally available for investment has been used to pay tax bills. We can, however, refurbish existing equipment allowing total refurbishment costs to be claimed against corporation tax. Many of our customers engage in the manufacture of machinery, and they tell us that the orders for new machines for the home market have been drastically reduced, although orders for spare parts have increased. In turnover terms this has meant a considerable drop in revenue.

Companies wishing to continue high levels of investment are now forced to borrow at historically high rates of interest to fund the gap in their cash flow caused by the payment of much higher levels of corporation tax. Faced with these facts we have decided that borrowing at such high rates of interest cannot possibly give the level of return required, and our investment programme has been halted. At present we are only prepared to refurbish existing equipment, so as to keep the gearing of our company at sensible limits.

Where companies have shown an historically high level of investment I feel that Government should find ways of reducing the present high level of company taxation caused by withdrawal of capital allowance. A rate of corporation tax of perhaps 15 per cent could be agreed with such companies without great loss to the Treasury. The engineering manufacturing base of this country has been reduced enough by recession without further fiscal measures to reduce that base even further. Moving company bases to development areas, in order to claim higher investment allowances, suits only a very few companies. Perhaps, in the run-up to a general election parties should make clear their attitudes on a matter of considerable importance to most businesses.

C. I. Rycroft.

PO Box 209,
Poole, Dorset.



Combined executive operation

From Mr T. Royle

Sir,—Recent problems encountered by Guinness have highlighted an issue that has concerned me throughout my business career. This is the practice of combining the post of chairman and chief executive in one person. I understand fully why so many leaders of companies, both public and private, follow this practice, whether because of insecurity, power or the view that they will get things done quicker.

I believe it is unwise, inefficient and open to grave abuse. I further believe that there should be an amendment to the Companies Act that makes compulsory such a separation of duties. If the chief executive is good it will in no way inhibit his flair and imagination; if he is bad both shareholders and employees, quite apart from the public at large will benefit from a point of appeal above him.

T. L. F. Royle,

5 Crescent Place, SW3.

More than modest Geneva hopes

From Lt General V. Pavlov

Sir,—Your editorial "Modest Hope for Geneva" (January 16) was right to highlight the importance of an interlocking agreement on Soviet and US space and strategic weapons. We are agreed on halving strategic nuclear weapons. But clearly, such a deep cut is impossible without sealing all channels that could upset the strategic balance.

This balance needs to be maintained at all stages of the disarmament process. That is why the Soviet Union urges the renunciation of the testing and deployment of space strike weapons and a halt to all nuclear explosions, by the US and the Soviet Union in the first place.

But I cannot agree when you write that it is hard to interpret Mikhail Gorbachev's "deepest intentions" in making the proposals he did at the Reykjavik meeting with President Reagan. After all, on January 15 last year, in outlining his plan for a nuclear weapon-free world by the end of the century, Gorbachev made his intentions perfectly plain. And just ten months later, in Reykjavik, it came closer to realisation than most people would have thought possible.

Our hopes for Geneva could, therefore, be more than modest if the US administration set out to build on what was achieved in Reykjavik rather than trying to dash, in conjunction with certain of its allies, the glimmer of hope raised there. This is seen in the apparent abandonment of the idea of eliminating strategic nuclear weapons within 10 years, and even of the west's long-cherished "Euromissile" zero option, both of which were agreed in the Icelandic capital.

Yes, we are "eager to negotiate an arms control agreement" with Washington. Surely that is just the attitude that people the world over expect.

(Lieut-General) Victor Pavlov.
Novosti Press Agency,

4, Zubovsky Street,
Moscow 119021.

Cross winds and passengers

From the Chief Executive,
British Airways

Sir,—Mr D. N. Odling (January 22) questions the decision to land a British Airways aircraft carrying the airline's privatisation team at Aberdeen on January 12 when the scheduled service he was travelling on was diverted.

Strict landing weight restrictions were in force at the airport on the day because of slippery runway conditions, following heavy snow, coupled with cross wind limitations. Four British Airways aircraft, including the BAC 1-11 carrying the privatisation team, landed at the airport in the morning because they were inside these restrictions.

At the time Mr Odling's aircraft made its approach, after waiting nearly an hour for snow to be cleared from the runway, the cross wind was above that allowed for the runway conditions. The aircraft therefore diverted to Edinburgh. When the BAC 1-11 carrying the privatisation team landed, the cross wind was within limits.

The safety of our passengers, whatever their origins, is always paramount and that is why Mr Odling found himself in Edinburgh on January 12.

Colin Marshall.
PO Box 10,
Heathrow Airport,
Hounslow, Middlesex.

Alive and well and in tyres

From the Managing Director,
Uniroyal Tyres

Sir,—The article "The pressure that caused a blow-out," (January 14) may give the impression that the Uniroyal name has ceased to exist. Not so.

Uniroyal's European tyre operation was acquired by the Continental Tyre Group in 1979 and is now an integral part of Europe's second largest tyre manufacturing group and supplies passenger car and heavy service tyres to the majority of Europe's vehicle manufacturers.

In fact, Uniroyal tyres are considered a major force in both the European original equipment business and the replacement market. Uniroyal Tyres has just announced a £10m investment programme at its Edinburgh tyre plant — a factory which, in the last six years, has never declared a lay-off or asked for one redundancy. Uniroyal Tyres in Europe is very much alive and well and making money.

Robert D. Jackson.
4-8 High Street,
West Drayton, Middx

A vigorously prosecuted 400 year debate

From Professor I. Pearce

Sir,—In your editorial "The charisma of Maynard Keynes" (Jan 16) you assert that economics before Keynes "consisted of little more than the Quantity Theory of Money and the micro-economic analysis of individual markets." Anyone who believes this might accordingly be forgiven for supposing that there are severe restrictions on what is to be learned from, say, John Stuart Mill's Principles of Political Economy (1847), the title of that work notwithstanding. It surely is appropriate therefore to remind readers that Mill's writings actually do include an excellent account, and an even better critique of what might, with hindsight, be called Keynesian underconsumptionist theory. Mill goes out of his way also to make it clear that he lays no claim to originality on either count.

The truth is that the Keynesian/Monetarist dispute has been vigorously prosecuted with fluctuating fortunes on either side for at least four hundred years and probably for much longer could we but know it. All that has changed are the names attached to the protagonists.

For obvious reasons there have always been persons willing to argue that more consumer demand would encourage production and trade and that the creation of money or credit must lead to an increase in demand. Indeed one of the principal claims of the founders of The Bank of England was that the intended issue of convertible notes would increase the stock of money without the need to import gold. Thus Sir William Killigrew himself, writing in 1663, estimated that the total money stock was "not [more than] seven millions in money" and that his proposals "would be the same thing in all respects as two or more millions [of extra] money imported and distributed" which would "add proportionably to our trade and consumption."

At the same time, because it is true, there has never been any shortage of economists on the other side ready to point out that the act of production and supply necessarily generates money incomes exactly sufficient to buy the newly produced goods consequently on offer. Nor can saving take money out of circulation as long as money saved is lent to a borrower and spent as it always must be. There can be no general failure of demand.

The burying of bottles full of printed money would certainly provide digging opportunities for the unemployed and profits to pay their wages but sadly this leaves nothing to buy with the money earned except perhaps the empty bottles. Nominal gnp might rise but real gnp would not. Inflation must be the consequence. It is true that if real gnp is to rise at constant prices more money or credit must be introduced but it is not true that if more money is introduced real gnp must rise. Everything depends on where and how the new money is brought in.

In the 19th Century there existed an automatic market mechanism which, without benefit of "monetary policy," introduced new money or credit whenever and wherever it was needed to support increased production or trade. The same market mechanism withdrew money and credit from circulation whenever and wherever it caused prices to rise. Not only has the 20th Century abolished this market; it has forgotten completely that it ever was much less how it worked.

The "post-war edifice of macroeconomics" to which your editorial makes favourable reference consists of variations upon a model, introduced by Keynes, which, like all models designed to persuade, begins by assuming what it wants to prove. It was intended to encourage the world to favour underconsumptionist policies and in this it was prodigiously successful. The precise effect upon events of Keynesian policies remains in doubt but the broad effect upon conventional wisdom does not. And it is certain that current conventional wisdom has played no small part in promoting the greatest monetary muddle of all time of which the worst is yet to come. Perhaps we need to look again at the conventional wisdom of times past.

(Professor) Ivor F. Pearce.

The University,
Southampton, Hants.

Political direct mail in the UK

Trying to box clever

By Peter Riddell, Political Editor

IF YOU are a British Telecom shareholder, a member of the National Union of Railwaymen, a young professional householder in a marginal constituency or a subscriber to a home improvement magazine, then there is a good chance that you will shortly receive a letter from a leading politician.

It will not contain anything as crude as a direct appeal for your vote. Instead, the personally addressed letter will highlight an issue of particular interest to you.

BT shareholders will be warned by the Tories of Labour's plans for their shares. Potential SDP voters will be asked their opinions by Dr David Owen, whose letter will include a questionnaire to be returned — a technique also used by the Tories. The inevitable request for money is designed to seem almost an afterthought.

The age of political direct mail has arrived. Yet the scale of activity is not widely appreciated — even by most politicians. The Conservatives sent out more than 500,000 letters last year, half to BT shareholders. Over the first three months of this year the party will be contacting the remaining 1m BT shareholders as well as sending out roughly 80,000 letters a month to target groups such as "upwardly socially mobile households."

Labour has recently been very active, building up a donor list of over 70,000 from earlier larger mailings. It is now appealing directly to party members and trade unionists. The SDP, with its centralised records, has always been keen on direct mail, having sent out an estimated 3m letters since 1983. It now has a list of 35,000 regular donors, in addition to its 58,000 members.

British parties have closely studied the US experience, where large-scale direct mail is an integral part of all campaigns. This is aided by the ready availability of highly specialised mailing lists which identify potential target groups of voters. Such information is much more scarce in the UK, and British politicians are wary of drawing exact parallels. Mr Dick Newby, the SDP's national secretary, says the main lessons have been technical such as how to frame the message. Paradoxically, all the evidence shows that longer letters are more effective—that is, more profitable—than shorter ones, though paragraphs need to be short with key points highlighted. For instance, Dr Owen's most recent letter was 3½ pages long with several words and phrases underlined.

Britain's political parties have been slow to develop direct mail. The Tories, who had actively experimented with it before the 1983 election, paused afterwards, partly because of cash pressures. Only last summer did they resume mailings, after a lengthy reassessment. Their earlier worries over the insufficiently detailed nature of the data were dispelled when the BT shareholders' list became available—it provides an ideal target group. The parties also use subscribers' lists from various magazines in seeking potential donors.

Labour's Mr Steve Billcliffe, the party's publishing and marketing manager, has used lists of subscribers to socialist magazines and societies, responses to party broadcasts and newspaper advertisements to try to create a left-wing database for Labour. One problem has been that the party, like the Tories but unlike the SDP, has had no centralised membership records. But Mr Billcliffe is hoping to remedy this by using the mailing list of the new glossy Labour Party News. Aimed at all party members via a tear-off coupon on the annual membership card, it has already exceeded an end-March target of 50,000 subscribers.

Labour is now starting to use trade union membership lists, especially of those paying the political levy. This, ironically, is a by-product of the present Government's legislation requiring centralised records for ballots. After a successful trial last year with National Union of Seamen, some 125,000 letters are now going out to members of the National Union of Railwaymen. There is a big potential here with 6.2m people paying the political levy.

Developing programmes takes time and money. The initial appeal, using untried lists to identify donors, known as prospecting, is costly

Developing a direct mail programme takes time, and money. The initial appeal, using "cold" or untried lists to identify donors, known as prospecting, is costly. But with the election fast approaching, the parties are looking for their lists to produce income. The SDP's Mr Newby says the party is now "taking profits" from its earlier achievement; 1986 was the first year direct mail made a "significant contribution."

Similarly, after a loss last year, Labour's Mr Billcliffe is looking for a net surplus of £400,000, even excluding any special election appeals. This is equivalent to roughly one tenth of total income. The Tories' BT campaign has been aimed less at fund raising than persuasion, but has produced a response rate of 11 to 12 per cent, much higher than expected—and a sizable flow of income. The main constraint is the administrative one of processing the replies.

All the parties are developing direct mail campaigns locally. The Liberals have shown considerable expertise in targetting groups in by-elections, notably in their 1985 success in Brecon and Radnor, while Labour sent out 15 different types of letter at Fulham last April.

Resources can be concentrated on key groups of undecided voters, rather than wasted on the committed. More than 250 Conservative associations now have mini-computers and, while these are used primarily for keeping membership records, they are increasingly being utilised for contacting voters.

There are some pitfalls. There are legal uncertainties about whether a national direct mail campaign during a general election would be counted against candidates' local expenses. Moreover, a Government-inspired consultation is underway on limiting the use of shareholders' lists—say to only those with holdings of over 1 per cent to reduce the "junk mail" problem—a move which would hit the Tories.

The arrival of political direct mail offers the parties an additional way of mobilising support and securing a more regular source of finance—by-passing the mass media and, indeed, local organisations. In the US, this has given considerable power to the controllers of lists, such as Conservative Republican Mr Richard Viguerie, who pioneered such tactics. There are other dangers. Professor Larry Sabato, a leading US analyst of political direct mail, has described it as "the conveyor of misinformation, and the purveyor of oversimplification and superheated emotionalism." This has not happened yet in Britain, but the temptations are there.

FINANCIAL TIMES

Tuesday January 27 1987

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Reagan questioned on secret arms sales to Iran

By Lionel Barber in Washington

PRESIDENT Ronald Reagan gave his first detailed account of events surrounding secret US arms sales to Iran during a 75 minute question and answer session yesterday before a three-man panel he appointed to investigate the controversy.

The President – who had earlier expressed outrage at the kidnapping of further hostages in Lebanon by pro-Iranian extremists – offered what the White House described as "the factual history of the President's role in the Iran initiative."

The latest round of hostage-taking by Moslem extremists in Lebanon has raised the same doubts about President Reagan's tacit agreement to barter arms for American hostages in that country.

Leading US Democrats said the Reagan Administration was reaping the fruits of its earlier, ill-advised weapons sales, while Mr Robert Byrd, Senate majority leader, described Americans in Lebanon as "bait" for terrorists.

The White House yesterday repeated its warning that all Americans should leave Lebanon. State Department officials meanwhile said they were considering other measures aimed at pressuring US citizens to stay clear of the strife-torn country.

Mr Larry Speakes, White House spokesman, said the US was looking at a number of options, including military, as a means of retaliation against the terrorists.

But the expectation in Washington was that the President would consider any military strike very carefully.

Nora Boustany reports from Beirut: about 1,200 students took to the streets in Beirut yesterday to protest against the abduction of four foreign professors and attacks against educational institutions.

The general assembly of the Beirut University College, grouping faculty and students, gathered to reject the drive aimed at "paralysing us and our educational mission" and vowed "not to rest until our kidnapped professors are freed."

● In London Anglican Church officials were last night making "urgent inquiries" into a Kuwait news agency report that Mr Terry Waite, the Archbishop of Canterbury's envoy, was under house arrest in Lebanon.

EEC concessions may avert trade war with US

BY QUENTIN PEEL IN BRUSSELS

PROSPECTS of a trade war between the EEC and the US receded sharply yesterday when the 12 community foreign ministers backed their negotiators in making significant concessions to get a settlement.

They also insisted, however, that the US Administration must reduce its demand for compensation for the loss of grain sales to Spain as a result of Spanish accession to the EEC if a deal is to be reached before next Friday's deadline for retaliatory trade measures to begin.

In Washington, Mr Clayton Yeutter, the US Trade Representative, said the dispute might be resolved by tomorrow. In an interview, he said he expected to talk soon on the telephone with Mr Willy de Clercq, the EEC External Affairs Commissioner. But he made clear that the details of any settlement had still to be negotiated.

The conflict centres on some $400m in lost US sales of maize and sorghum to Spain since that country joined the EEC last year – and on how compensation should be paid.

The principal trading nations were yesterday close to an agreement to start formal trade liberalisation talks under the General Agreement on Tariffs and Trade, writes William Dullforce in Geneva. Informal talks led by Mr Arthur Dunkel, the Gatt director general, have apparently overcome the procedural disputes which interrupted the Uruguay round of talks last December.

The community now appears ready to take up to 2.2m tonnes in maize and sorghum imports from outside the EEC, or some two-thirds of Spanish requirements. At the same time, the ministers gave their blessing for Portugal to buy some 450,000 tonnes of cereals from outside the community, instead of from EEC suppliers.

Ministers and officials refused to confirm the figures, which would represent an improvement of more than 1m tonnes made on the EEC offer in December to take only 1.6m tonnes of maize and sorghum from outside suppliers – some two-thirds of which would normally come from the US sources.

Washington had originally sought compensation for sales of up to 4m tonnes, of which 2.8m tonnes would come from American farmers.

The shortfall in the US demand for compensation worth $400m would be made up by concessions on a variety of processed food and industrial products, officials said – but the details would be finalised only once the question of cereals sales was agreed.

Farm pricing reforms proposed

BY TIM DICKSON IN BRUSSELS

FAR-REACHING changes in the EEC's agri-monetary policy, which will replace and ultimately phase out the complex system of "green" currencies and so-called Monetary Compensatory Amounts (MCAs), will be formally proposed by the European Commission in the next few weeks.

The controversial plans, which are likely to provoke a political storm, are a key part of the restrictive farm price package for 1987-88 being finalised in Brussels.

If approved by ministers, they would significantly limit the scope for member states to award their farmers "disguised" national price increases to compensate for the apparently tougher policies being pursued by the commission.

A confidential paper distributed to senior commission officials at the weekend confirms that Mr Frans Andriessen, the EEC's Agriculture Commissioner, is determined to continue his crackdown on farm surpluses and aims at least to freeze most of the guaranteed prices on which the Common Agricultural Policy is built. Cereal farmers would bear the brunt of his proposals, which include a reduction in the prices paid for certain varieties, a severe reduction in the period for "intervention" buying and the ending of so-called "incremental payments" made to cover private storage costs.

The 1984 changes ensured no price reductions for West Germany and enabled other member states to eliminate the adverse impact of the negative MCA and award their own farmers price increases by devaluing their green currencies, the notional rate used to translate common EEC farm prices into national currencies.

Davy leads $138m US deal

BY NICK GARNETT IN LONDON

A CONTRACT worth $138m to build the first steel rolling mill on a greenfield site in the United States for 16 years has been won by a consortium of Davy McKee of Sheffield in the north of England and General Electric of the US.

Davy's share of the contract is valued at $103m and involves the design and manufacture of the hot strip mill, to be built in Toledo, Ohio, for Heidtman Steel Products, a subsidiary of the Centaur holding company.

Davy said yesterday that this would be the first complete steel rolling mill it had constructed in the US and would help to maintain the 1,200 jobs at its Sheffield site where the main elements of the rolling mill will be made. It would not lead to new employment in Sheffield.

GE is the main project leader and will install all the electrics and control equipment at the plant, which is planned to produce 1.2m tonnes of steel a year.

Heidtman gave notice two years ago that it would build a new rolling mill in the US to produce steel sheet to the fine tolerances now required by the motor industry and despite the substantial rolling overcapacity in North America. A large proportion of Heidtman's output of finished steel is consumed by Detroit.

The new plant is due to come on stream in February 1989. Mr John Hewins, Davy McKee's director and general manager said it would be the most advanced in the US, capable of producing thickness tolerances of two thousandths of an inch.

Iran moves one step closer to victory

Continued from Page 1

quently been reinforced, taking numbers of those fighting east of Basra to about 60,000. Human wave tactics involving tens of thousands of Basijis (volunteers) and Pasdaran (Revolutionary Guards) appear to have been shelved for the time being.

Iranian strategy these days seems to be to mount limited operations and – if they look like failing – to withdraw quickly. If there is prospect of success, Iran pours in reinforcements. These tactics are much less costly in political and military terms.

The initial successes of the Kerbala-5 operation against massive Iraqi defences indicate that Iran has found a key to breaking through seemingly impregnable barriers, which include earthworks, barbed wire entanglements, minefields and flooded areas.

A Pasdaran commander, briefing reporters in an underground bunker near the front, hinted that Iran's Kerbala-5 attack was made from the north-east through flooded areas, using small boats and light pontoon bridges.

There may also have been some infiltration of Iraqi defensive positions from the Shatt al-Arab waterway itself. Amphibious assault has become something of an Iranian speciality.

Judging by Iran's successes east of Basra against formidable defences, Iraq cannot be at all sanguine about its fortifications withstanding Iranian assaults elsewhere. Particularly worrying for the Baghdad regime must be the impression that its soldiers were ousted from their frontline positions on the international border without much resistance.

The Pasdaran commander said that Iranian forces had broken through four Iraqi defence lines east of Basra. A fifth barrier, thought to be the main Iraqi defensive line, stood in the way of the advance.

Iran now has several options, according to western observers in Tehran. It can seek to consolidate its gains east of Basra or it can continue to push forward. A further option is for it to mount a fresh offensive elsewhere in an attempt to take advantage of apparent disarray in the Iraqi military following its latest reverses.

Neutral observers in Tehran are divided as to whether Iran has the logistical ability and resources to mount another big campaign on the heels of Kerbala-5.

Iranian leaders are saying that capturing Basra is not a priority. Iran, in any case, is now close enough to Iraq's second city to menace it with light artillery and rockets, making life even more difficult for the beleaguered inhabitants, who have been under the threat of Iranian heavy artillery bombardment for the past several years.

Iranian leaders have been insisting that Kerbala-5 does not mark the beginning of the final offensive. That is yet to come, they say. The leadership has sought to dampen expectations that the war may be quickly coming to an end.

The value of the Kerbala-5 success to the regime in propaganda terms is immeasurable. It allows it to say that it has lived up to its promise to deliver a military success by the Iranian new year on March 21. It will also add lustre to celebrations marking the February 11 anniversary of the revolution.

Iranian spokesman are exhibiting greater confidence about progress of the war than they were 12 months ago.

A feature of the latest offensive, according to western observers, is that the Iranian airforce has been more in evidence. Iran, at the same time, seems to have improved its air defence systems.

Iran's claim of having brought down more than 60 Iraqi aircraft may be wildly exaggerated, but Iraq's own figures tend to confirm that Iran's air defences have performed better on this occasion.

"Either they (the Iranians) are getting more reckless or they have got more spare parts and more missiles and bombs," said one observer.

It is assumed that shipments of American weapons, including Hawk missiles and spare parts for Iran's air defences, have contributed to an improved Iranian performance against superior Iraqi airpower. Iraq's serviceable combat aircraft outnumber Iran's by about 10 to one.

Iranian officials insist that the "Irangate" US shipments of arms for hostages have made no difference to the overall war effort.

The Gulf War now appears to have entered a crucial phase. Alarm in moderate Arab capitals such as Cairo and Amman is almost certainly justified. Gulf states are likely to be reviewing their options in light of latest developments.

Kuwait, which has steadfastly supported Iraq throughout the war, must be feeling particularly vulnerable. Iranian policy towards surrounding countries seems certain to be more assertive in view of its successes on the battlefield early this year.

Iraq's President Saddam Hussein has little reason to feel comfortable about latest developments. Sensing this, Iran is unlikely to relax its diplomatic and military pressure.

World Weather

		°C	°F
Ajaccio	C	13	55
Algiers	F	18	64
Amsterdam	S	4	39
Athens	S	12	54
Bahrain	S	24	75
Bangkok	S	29	84
Barcelona	S	13	55
Beirut	-	—	—
Belfast	F	5	41
Belgrade	C	5	41
Berlin	R	0	32
Biarritz	F	16	61
Bombay	S	32	90
Bordeaux	C	7	45
Brussels	C	3	37
Budapest	Sn	2	36
B. Aires	S	30	86
Cairo	F	14	57
Cape Town	S	27	81
Caracas	S	26	79
Casablanca	-	—	—
Chicago	C	-14	7
Cologne	C	3	37
Copenhagen	-	—	—
Corfu	F	10	50
Dallas	-	—	—
Dublin	C	6	43

		°C	°F
Dubrovnik	F	8	46
Edinburgh	F	5	41
Faro	S	18	64
Florence	C	11	52
Frankfurt	Sl	1	34
Funchal	C	18	64
Geneva	S	4	39
Gibraltar	R	14	57
Glasgow	C	3	37
Guernsey	C	2	36
Helsinki	Sn	0	32
H. Kong	C	15	59
Innsbruck	F	-2	28
Inverness	C	4	39
Islamabad	S	24	75
Istanbul	S	3	37
Jakarta	R	30	86
Jersey	C	2	36
Jo'burg	C	21	70
Lima	S	27	81
Lisbon	C	16	61
London	C	6	43
Los Angeles	F	16	61
Luxembourg	C	-2	28
Madrid	R	7	45
Majorca	F	13	55
Malaga	C	14	57

		°C	°F
Malta	F	14	57
Manchester	C	5	41
Manila	S	31	88
Melbourne	C	30	86
Mexico City	S	25	77
Miami	S	18	64
Milan	C	2	36
Montreal	F	-5	23
Moscow	Sn	-3	27
Munich	C	-1	30
Nairobi	F	27	81
Naples	C	13	55
Nassau	C	25	77
New Delhi	S	19	66
New York	Sn	-7	19
Nice	S	14	57
Nicosia	C	12	54
Oporto	R	14	57
Oslo	C	6	43
Paris	C	-1	30
Peking	S	8	46
Prague	Sn	-1	30
Reykjavik	F	3	37

		°C	°F
Rhodes	S	11	52
Rio de J'o	-	—	—
Rome	F	12	54
Salzburg	C	0	32
San Francisco	C	19	66
Seoul	S	0	32
Singapore	R	23	73
Stockholm	Sn	-5	23
Strasbourg	C	1	34
Sydney	S	27	81
Taipei	C	15	59
Tangier	-	—	—
Tel Aviv	C	12	54
Tenerife	S	23	73
Tokyo	S	7	45
Toronto	C	-7	19
Tunis	F	15	59
Valencia	C	11	52
Venice	Fg	1	34
Vienna	Sn	1	34
Warsaw	Sn	-3	27
Washington	-	—	—
Zurich	C	2	36

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

UK takeover code

Continued from Page 1

dismiss any of its partners or employees, as no evidence of wrongdoing on their part had yet emerged.

Similarly, the Law Society, the solicitors' trade association and regulatory body, said that it had not received any complaints about Freshfields either from members of the public or from the Department of Trade and Industry inquiry. It would not undertake any investigation unless and until such complaints were received.

The former Guinness finance director, Mr Olivier Roux, yesterday denied that he had anything to do with a statement which was published as coming from him in the Sunday Times newspaper. The statement, which purported to explain his role in the manipulation of the Guinness share price during the takeover bid, was "a largely misleading and inaccurate version" of events, Mr Roux said.

Morgan Grenfell yesterday announced its recruitment of Mr Charles Peel, a former partner of the stockbroking firm Fielding Newson Smith and now a managing director of County Securities. After a month of doubt created by a restrictive clause in Mr Peel's present contract, he has been recruited as head of sales in Morgan Grenfell Securities, under Mr John Holmes. However, to sidestep the restriction, he will spend his first year working abroad, mainly with C. J. Lawrence, the US securities house Morgan Grenfell acquired last month.

General Cinema buys 8.3% stake in Cadbury

By James Buchan in New York

GENERAL CINEMA, the US theatre chain and soft drinks bottler, announced yesterday it had bought an 8.3 per cent stake in Cadbury Schweppes, the UK confectionery and soft drinks group, but did not intend to bid for the company.

General Cinema, which has diversified strongly from its base in movie theatres into other consumer-oriented businesses, said that it had acquired 46.5m shares in Cadbury Schweppes in open-market purchases in London over the last "four to five months." General Cinema said the average net cost of the shares was £89.7m or $136.8m at last Friday's exchange rate.

Mr Richard Smith, chairman and chief executive of the Chestnut Hill, Massachusetts company, said General Cinema "may add to its investment position from time to time under appropriate market conditions."

Although the company is making a routine filing for permission to buy more than 15 per cent, but no more than 25 per cent of Cadbury Schweppes' shares, "General Cinema has no intention of making an offer," he said.

General Cinema said that it had sent a letter to Cadbury yesterday, making this statement. "To avoid any doubt, we accept that the significance of our statement of intention is that we will be precluded from making an offer for the remaining shares of Cadbury Schweppes for at least one year, barring any material change in circumstances affecting our investment," Mr Smith said.

The company said that an offer from a third party for Cadbury would constitute such a change.

General Cinema, which has a market value of $1.7bn, reported net earnings of $90m from continuing operations on revenues of $998m in the year to October against $88.2m and $966.8m the year before.

Cadbury reported pre-tax profits of £93.3m ($142m) on sales of £1.87bn in 1985. In addition to its theatre chain, which is the largest in the US, General Cinema owns the biggest independent bottling franchise for Pepsi and "has made several important minority investments in consumer-related businesses.

Lisa Wood adds from London: Bid rumours relating to Cadbury Schweppes have circulated for some time with heavy buying from New York of its shares for the last few weeks. The stock market was uncertain yesterday what to make of General Cinema's declaration.

The share price initially rose to 230m per share, then dropped to 224p and finally closed at 228p, down 2p on the previous day's trading.

During the last year Cadbury Schweppes has been rationalising its businesses with the selling-off of businesses not seen as core activities. These include its food and beverages division with brand names including Typhoo Tea and Kenco coffee and the loss-making health and hygiene division with its Jeyes brands.

Mr Dominic Cadbury, chief executive of Cadbury Schweppes said last night that he viewed General Cinema's intentions as it had stated in its letter – that the investment in Cadbury was an excellent long-term investment and there was no intention of a bid.

Mr Cadbury said: "We have no knowledge of any other major new investor."

Kohl clashes with Strauss over election

Continued from Page 1

ence, might help bring forward tax cuts planned for next year.

Mr Tyll Necker, president of the German Industry Association (BDI), said a priority for the coalition should be a restructuring of company taxes as part of an overall tax reform. Vague plans to implement a reform worth some DM 40bn ($22bn) in the early 1990s exist, but many business leaders want them speeded up.

Mr Necker said the Government had no cause to be satisfied with its win on Sunday, a sentiment that was shared, incongruously, by the big IG Metall metalworkers' union.

The union promised yesterday to continue its campaign for a 35 hour week and to oppose the coalition's economic and social policies.

Mr Franz Steinkühler, the union's president, warned that "this Government has no licence to play the fool. It cannot wilfully practise politics à la Thatcher or Reagan."

THE LEX COLUMN

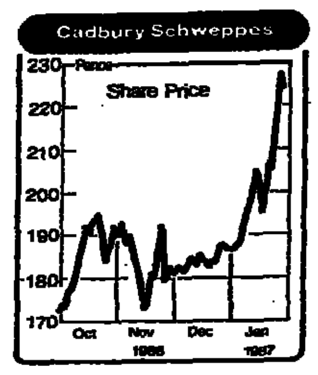
Pincer movement on the Panel

The "kangaroo court" has been much in evidence in the latest head-rolling stage of the Guinness affair. Much of it seems expedient, even necessary. But there is a danger that the lynch mob might hang some innocents. Yesterday, an apparently Whitehall-inspired report that the UK Government might terminate the Takeover Panel's independent existence was followed by a direct threat from the Governor of the Bank of England to replace it with a statutory body.

The panel feels unable to implement a post-Guinness purge of its rule book until the inspectors' report is published. It thereby runs the risk that the Government will respond to any severe criticism of the panel in the Department of Trade and Industry (DTI) report with summary execution. There are changes in the area of disclosure rules that the Panel can make in this period of hiatus, but these will inevitably be seen as peripheral pea-shooting before the cannon fire of the DTI.

That body's greater impact may well rest on its statutory powers, as critics of self-regulation point out. Yet the allegations about Guinness's actions which have so outraged the would-be City of London regulators are precisely the sort of acts for which a statutory framework of prosecution – the law of the land – already exists.

It is an embarrassment for the panel to be reminded constantly that Argyll had complained about the suspiciously strong performance of the Guinness share price during the battle for Distillers. Yet it would have taken extraordinary powers of detection to have unearthed the covert deals that Guinness struck with nominee companies from Jersey to the Dutch Antilles. Random telephone tapping by the SIB is a sinister thought. But it might serve almost as well if merchant banks were required to have a compliance officer as a constant fly on the wall during all takeover meetings. Yet the underlying problem remains: for self-regulation to have any force, it must rest on the willingness of practitioners to report any infringements they might discover. And that is an assumption that is now in question.



Cadbury Schweppes

Politeness may be characteristic of General Cinema, but sheer charity is probably not. Cinema did send a note to Cadbury Schweppes after building up the 8.3 per cent stake announced yesterday, denying any current intention to bid. But having put Cadbury right in play – no worries about the end of the British takeover, here – Cinema has not denied that it might launch a bid anyway, or perhaps sell the stake on to a third party if some chocolate knight were now to ride into the ring.

With a profit of about 30p a share already in the bag, Cinema's options are wide open. As a large bottler of soft drinks, it is in a good position to assess the strength of Cadbury's drinks business and disregard its recent history of Great American Disasters in confectionery – which are, anyhow, unlikely to recur. Whether the nature of Cadbury's agreement with Coca-Cola presents a poison pill defence to a bid from Cinema is one of the unknowns in the bid equation; if the Coke franchise were to disappear as soon as Cinema reached 10 per cent, another bidder might be required for Cinema to get full value for its investment.

If nothing happened for a while, however, the purchases would still look to have been nicely judged. Cadbury is just digging itself out from under the mound of slow-moving candy bars which damaged its City of London credibility – and the value of premium brands will out.

Dollar

Yesterday's relative calm in the currency markets is surely only temporary. Such a fine balance between a lack of buyers and a shortage of sellers cannot last. The Bundesbank's purchase of a few million dollars at yesterday's fixing, underlined its desire to keep the dollar above water and its readiness to act following last week's measures to take liquidity out of the money markets. If the foreign exchange market was determined to push the dollar down, Bundesbank intervention would be no bar. But in the absence of that purpose a little dollar buying keeps the shorts away.

Clearly all is not hunky dory, however, between the three most involved parties – West Germany, Japan and the US. Japan had been expected to cut its discount rate over the weekend, and probably will do so soon. Nevertheless the delay suggests that the Baker/Miyazawa talks last week did not result in quite the close agreement that was suggested. Prospects of a G5 meeting only add to the uncertainty.

Meanwhile, the US Treasury is to announce details of next week's quarterly refunding. Japanese demand at the last auctions, in November, was low and without some assurance of currency stability it could be paltry this time. After all, a foreign buyer in the last refunding might now be about square on the bonds, but with a currency loss larger than the annual coupons. And on Friday, unless blizzards prevent them, the December US trade figures will be published. Then the market will see just how freakish the $19.2bn November deficit was.

BTR accounts

BTR's outrage at criticism of its record is understandable, but yesterday evening's condemnation of Coopers & Lybrand for its investigation of the published BTR accounts is, none the less, a singular outburst. For the plain fact about Cooper's briefing document is that it contains not a word of criticism, or indeed any comment at all on BTR's figures other than the occasional underlining or marginal jotting.

What BTR may well feel wounded by is the attempt to reconstruct the group's cash-generation record from its statutory accounts, since this depends explicitly on assumptions that BTR itself can doubtless refute in detail. Given the opportunity to do so during the bid for Pilkington, however, BTR could not find the time.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday January 27 1987

Exxon lifts earnings despite oil price fall

BY WILLIAM HALL IN NEW YORK

EXXON, the world's biggest oil company, yesterday regained its position as the largest profit earner in corporate America by reporting a 10 per cent rise in 1986 net income to $5.36bn, or $7.42 per share, sending its shares to a record high in early trading yesterday.

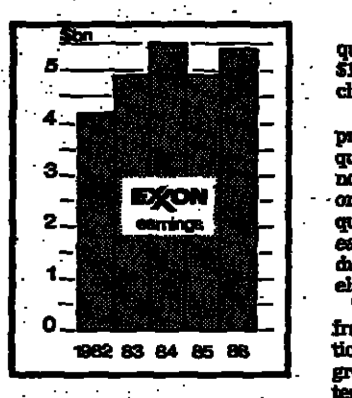
Mr Lawrence Rawl, the group's chief executive, said that 1986 was "a highly unsettled year in world oil markets. Crude prices dropped precipitously during the first quarter, and surplus capacity and excess supplies were in evidence during much of the year.

"Despite the unfavourable environment Exxon net income reached a record $7.42 per share in 1986. Refining and marketing results were especially strong during the first half, and chemicals results were good throughout the period."

He said that all segments benefited from steps taken in recent years to streamline operations.

Exxon's earnings before special items fell by 8.5 per cent to $5.13bn in 1986 and earnings per share before special items slipped 33 cents to $7.10.

The group's fourth-quarter net income of $1.48bn, or $2.06 per share, compared with $1.6bn, or $2.43, in the final quarter of 1985.



The outcome would have been lower had it not been for a one-time gain of $495m resulting from various restructuring steps taken in the final quarter. These included the sales of the corporate office building in New York and the Reliance Electric operations.

The latest figures were reduced by $210m from US tax legislation, reflecting new excise taxes on the recapture in August of excess assets from US pension funds and the retroactive repeal of investment tax credits recognised in the first three quarters of 1986. The 1985 final quarter included a $60m charge.

Exxon's revenues for the fourth quarter fell by 22.6 per cent to $18.6bn and for the full year declined by 17.9 per cent to $76.25bn.

Mr Rawl says that world crude prices rose modestly in the final quarter, but the improvement did not counter the substantial deterioration in prices since the fourth quarter of last year. Consequently, earnings from exploration and production operations continued at levels significantly below last year.

The oil major says that earnings from refining and marketing operations have declined as the year progressed, falling in the fourth quarter below the year ago level as oversupplied markets exerted downward pressure on margins.

Exxon's shares rose by $1⅛ to a new peak of $80⅝ in early trading yesterday. The group has been repurchasing its shares over the last year and this is helping its financial returns. Its return on shareholders funds was 17.5 per cent in 1986 and return on capital employed, which includes debt, was 14.2 per cent.

● Amerada Hess, one of the smaller integrated US oil companies, yesterday reported a $219.4m net loss for 1986, or $2.60 per share. This compares with a net loss of $269.4m, or $3.06 per share, in 1985.

Edmund Fitzgerald, Nortel chairman

Nortel stages late rally

By Bernard Simon in Toronto

NORTHERN TELECOM, the Canadian telecommunications equipment maker, staged a strong comeback in the final three months of 1986, with net earnings rising to US$125.9m, or US$1.07 a share, from US$83.8m, or 72 cents a share, a year earlier.

The strong fourth quarter performance, due largely to wider margins on increased sales of central office switches, enabled Nortel to lift total 1986 earnings by 4.7 per cent to US$286.6m, or US$2.45 a share. Revenues rose by 2.8 per cent to US$4.38bn.

Nortel's earnings fell 23 per cent in the first half of last year as competition in the US intensified and the company struggled to overcome problems with new software for its digital switching equipment.

Mr Edmund Fitzgerald, chairman, said that further improvements in margins should enable earnings growth to outpace revenue increases in 1987. He based his optimism on the introduction of new products and enhancement of existing ones, greater productivity, and rising demand for new software features.

Revenues from central office switches climbed 3 per cent last year to US$2.21bn. However, the growth rate reached 21 per cent in the fourth quarter.

The company received orders worth US$1.18bn in the fourth quarter, 24 per cent higher than a year earlier. Its order backlog at the end of the year, totalling US$1.54bn, was up 4 per cent.

Nortel's attention for the past few years has focused on the US, where it is a leading supplier to regional telephone companies. More recently, the company has been looking for a way to expand its presence in Europe.

Mr Fitzgerald has hinted that Nortel might enter the bidding for the French state-owned switchmaker Compagnie Générale de Constructions Telephoniques (CGCT), which is due to be privatised later this year.

JUSTICE DEPARTMENT TO TAKE LEGAL ACTION

Bid for Hughes Tool challenged

William Hall in New York reports on Baker International's quest to create one of the world's largest oil services group.

BAKER INTERNATIONAL's bid for Hughes Tool, which would create one of the world's largest oilfield service companies, has been put into jeopardy by the US Justice Department's decision to challenge the deal on anti-trust grounds.

The US Justice Department plans to take legal action to block the merger unless the two companies agree to dispose of certain assets. the Justice Department says that the planned merger would reduce competition in the markets for tricone rock drilling bits and submersible pumps.

The Houston-based Hughes Tool and the California-based Baker International each control close to half of the domestic markets for the respective products.

Hughes Tool and Baker International are two of the leading names in the oilfield services industry and have been facing serious financial pressures as a result of the sharp drop in oil exploration activity following the collapse in world oil prices.

When the merger was first announced in October it was regarded by some analysts as a rescue of Hughes Tool by its larger and financially stronger competitor.

The move was welcomed in the oilfield services industry, where surplus production capacity has depressed prices and led to heavy losses. However, Mr Charles Rule, the acting head of the US Justice Department's anti-trust division, says that he is concerned that reduced competition would hurt US oil producers, which are also being hit by lower oil prices.

The US Justice Department says that if the merger is completed only three companies would remain in the US that produce tricone rock bits and electric submersible pumps.

Officials of the two companies have been negotiating with the Justice Department to agree on the concessions which will enable the department to clear the merger of the new company. It will be known as Baker Hughes and will be based in Houston. Baker International shares fell by $¼ to $13⅝ in early trading yesterday and Hughes Tool shares fell by $⅛ to $10.

Solvay sees 21% profits rise

BY TIM DICKSON IN BRUSSELS

SOLVAY, the Belgian chemicals group, announced yesterday that its net profits would be much higher in 1986 than in 1985 "close to the 21 per cent increase recorded in the first half of the year."

The company indicated, however, that its sales would be 3 per cent down as a result of the fall in the oil price. FT said: "This brought about a fall in the cost of raw materials, but also a reduction in the sales price of certain products in the groups."

Sales, prices and profits of alkalis were all slightly down on the previous year but the expansion of peroxides continued in 1986.

Volume and margins in the plastics and processing divisions were "much improved" by comparison with the "very inadequate" level of the previous year, while turnover and profits in human and animal health were also up.

Yesterday's statement from Solvay is the first of its kind from the company at this stage of the accounting year and represents an effort to give shareholders more up-to-date information about performance.

Commenting on the current market situation, Solvay said the "favourable effects" of last year continued into 1987 and that it faces the future with confidence. The board has just approved higher budgets for investment (excluding acquisitions) and research and development than in 1986.

Solvay achieved sales of BFr 224bn ($5.9bn) in 1985. Its activities have traditionally centred on basic plastic and petrochemical production, but in recent years it has been trying to concentrate on higher value-added products.

Krauss-Maffei expects to break even

By Our Financial Staff

KRAUSS-MAFFEI, the West German armaments group, hopes to break even for 1986 after losing money for the past two years.

The group said yesterday that it expected to make a small return for last year despite falling turnover. Sales for 1986 dipped by 10 per cent to DM 1.8bn ($1bn).

Turnover for 1987 is set to decline even more dramatically. Sales for this year looked set to total between DM 1.2bn and DM 1.3bn.

Weak trading in the armaments division was the main reason for the sales downturn. Group turnover for 1987 was expected to emerge at about DM 800m against DM 1.3bn in 1986.

Group turnover had been shrinking steadily in recent years as the construction programme for the Leopard II tank drew to an end. The profitable tank business was expected to go through a "long period" of weakness.

Krauss-Maffei will deliver 37 Leopards to Switzerland in mid-1987 but will then be forced to halt tank production for about six months.

BBL buys into Crédit Européen

BY OUR BRUSSELS CORRESPONDENT

BANQUE Brussels Lambert (BBL), the second largest of Belgium's commercial banks, announced yesterday that it had bought 87.4 per cent of the shares in Crédit Européen, a Luxembourg-based financial group. BBL, which is understood to have paid about $20m, purchased the stake from the Washington based Uslico group but is also anxious to buy the minority interests as soon as possible.

BBL used to own a substantial minority stake in Banque Internationale of Luxembourg (BIL), one of the leading Luxembourg banks, but it sold out a few years ago because it was unable to have a direct influence on the management. The acquisition of Crédit Européen provides a new base in the Grand Duchy and fits in with BBL's strategy of expansion abroad.

As part of the deal BBL also takes over Crédit Européen in Brussels and Eurodata Luxembourg, a data processing service company.

Incorporated in 1960, the banking activities of Crédit Européen had a balance sheet total of LuxFr 17bn ($642m). At the end of 1986, capital and reserves of LuxFr 500m at the end of 1985 and net profits of around LuxFr 45m in the same year. It employs about 200 people in Luxembourg and 50 in Belgium.

GE plant closure to hit 118 jobs

By Our Financial Staff

GENERAL ELECTRIC, the US electrical and industrial products group, is to close its Florida robotics plant with the loss of 118 jobs. The plant, in Plymouth, put controllers on Japanese-built robots.

GE blamed the shutdown on general retrenchment in the motor industry and intense competition in other industries in which it tried to make robotics sales. The plant, bought by GE in 1980, had made lamps until it became part of the company's ambitious effort to tackle the factory automation business.

GE said that the robotics industry was taking longer than expected to develop and that the segment in which it concentrated, automated welding, "is much smaller than was originally anticipated."

● Williams Companies, the US energy and fertilisers group, expects to make a substantial 1986 loss as a result of moves designed to complete the financial restructuring it began last fall.

The company said its board had decided to withdraw from commercial real estate activities and agreed in principal to sell substantially all the assets of Agrico Chemical, one of the world's largest producers of phospate and nitrogen-based fertilisers, to Freeport-McMoRan Resource Partners.

Williams said it will retain Agrico's 15 per cent interest in Texasgulf. The remaining 85 per cent is held by Elf-Aquitaine, the French state-controlled oil group.

● Greyhound, the US corporation which last month agreed to sell its bus lines business for $350m, has entered negotiations for the sale of its Verex mortage insurance business and subsidiaries.

Mr John Teets, chairman and chief executive, said an agreement on price had not been reached but "it appears that an all-cash sale of Verex can be completed at a price well above our current level of investment."

Greyhound has been restructuring its operations, lessening its dependence on financial operations and increasing its consumer products business.

Fireman's Fund in big turnround

BY ANATOLE KALETSKY IN NEW YORK

FIREMAN'S FUND, the large US insurance company spun off in 1985 by American Express, earned $228m or $3.45 a share after tax in 1986, a big turnround from the loss of $45m reported for 1985.

For the fourth quarter, Fireman's Fund made profits of $80m or $1.21 a share compared with $23m or 35 cents a share a year earlier. The big improvement came from a combination of cost-cutting and better underwriting conditions in the property and casualty insurance market as a whole.

Fireman's Fund's consolidated revenues in 1986 were $3.70bn, 10 per cent up on the previous year, while fourth quarter revenues, at $1.02bn were 20 per cent higher than the year before.

Net premiums written in 1986 were 15 per cent up at $3.35bn, while premiums earned were 13 per cent higher at $3.22bn.

In the fourth quarter premiums written grew substantially faster than premiums earned because of a decision to cede $96m in municipal bond and note insurance to MBIA, a specialist bond insurer in which Fireman's Fund holds a 23 per cent stake.

Fireman's Fund's underwriting results improved considerably. Its underwriting ratio, which compares losses and expenses to premium income, fell to 108.5 per cent in 1986, 15 points lower than in 1985. The fourth quarter underwriting ratio was 107.8 per cent, 7.2 points down on the previous year.

The big improvement was due to lower losses. The loss ratio in 1986 was 13.8 percentage points down at 75.7 per cent. Expense ratio was 0.4 per cent up at 32.0 per cent and policy-holder dividends were 1.6 points down at 0.8 per cent.

The company's net investment income in 1986 was $458m, $18m lower than 1985.

Rexnord agrees bid by Banner Industries

BY OUR NEW YORK STAFF

REXNORD, a Milwaukee-based maker of engineering components and process control equipment, has agreed to be acquired for about $600m by Banner Industries, a much smaller company which produces aircraft tyres and replacement parts.

Yesterday's deal commits the boards of both companies to a tender offer of $26¼ a share for the remaining 20m shares in Rexnord. Banner already owns a stake of 5m shares, or 19.8 per cent, in Rexnord. Rexnord's shares rose $3¼ to $25⅞ after the announcement yesterday morning.

In the year ended October 1986, Rexnord had sales of $1bn and earned $30.8m net before allowing for restructuring charges of $87.1m. Banner's sales were $149m and net profits were $6.5m in the year to June 1986.

The takeover follows a major restructuring and recapitalisation plan unveiled by Rexnord in November in an attempt to increase shareholder values and move the company out of various engineering businesses

The asset divestitures announced in November, involving the sale of railway engineering, materials handling and process control businesses with combined revenues of $400m, would proceed as planned, despite the takeover, the two companies said yesterday. However, the financial restructuring, which involved a $20 a share cash payment to shareholders, is being cancelled.

Financing for the takeover is coming from Banner's cash resources of about $250m plus $260m in loans arranged by Drexel Burnham Lambert.

Singer lifts earnings by 46%

By Our Financial Staff

SINGER, the US aerospace, marine electronics and consumer products group, lifted fourth-quarter net earnings from continuing operations by more than 46 per cent and forecast significant growth for 1987.

Income for the latest three months reached $31.7m, or $1.44 a share, compared with $27.9m, or $1.34, including $1.7m against $7.4m from discontinued activities. For the year, total earnings were little changed at $82.6m, or $3.82, compared with $82.2m, or $4.30, on increased capital.

The figures included $33.3m ($25.7m) from discontinued operations.

Sales for the year were 10 per cent ahead at $1.72bn, with a rise to $496m, from $451m, in the quarter.

Mr Joseph Flavin, chairman and chief executive, said that this year income from continuing activities was expected to be "at least equal to 1986's total net income of $82.6m."

Strong growth was expected from the aerospace division he said. Sales would include some originally expected last year. In addition, the group's funded backlog of orders rose to a record $1.8bn at the end of 1986.

This backlog contained several development programmes scheduled for production deliveries in 1988 when they will contribute to earnings.

INQUIRY POSSIBLE INTO JAPANESE IMPORTS

EEC may act on printer 'dumping'

BY DAVID THOMAS IN LONDON

EEC OFFICIALS are considering whether to launch an anti-dumping investigation against imported Japanese electronic printers.

The move comes just as Epson, the Japanese printer and personal computer manufacturer, is about to unveil plans to open its first factory in the UK.

The Epson decision, to be announced next month, is the latest in a series of moves by Japanese companies to set up plants in Europe to make types of office equipment which have been subject to trade friction between Japan and the EEC.

The factory, which will be at Telford and open in June, will begin by producing 10,000 printers a month. It may step up output and make other Epson products if the first phase is successful.

Epson, part of the Seiko-Epson Corporation, claims to lead the market in the UK in mass volume computer printers and portable computers. It also sells desk-top personal computers in Britain.

The company would not be drawn on more details about the factory but the project, which will start by employing more than 100 people, is to be Epson's manufacturing centre in Europe. The company already has a small plant in France.

Epson denied that its decision to open the Telford plant had anything to do with industry reports, detailed in the current issue of MicroScope computer magazine, that some European manufacturers want the EEC to slap anti-dumping duties on imported Japanese printers.

The EEC said no formal decision had been made about launching an anti-dumping investigation on printers. However, it is understood that Commission officials have been discussing allegations by some European printer manufacturers of alleged Japanese dumping.

The EEC has recently extended by two months provisional anti-dumping duties imposed on imported Japanese photocopiers for four months last August.

Although Japanese companies rarely admit that import duties have affected their overseas investment decisions, several Japanese companies announced they were establishing or expanding photocopier facilities in Europe in the wake of the anti-dumping duties.

The same might happen if duties were imposed on printers. Last week Canon of Japan and Olivetti of Italy announced a joint venture company to make photocopiers and printers in Italy.

INTL. COMPANIES AND FINANCE

BOOST FOR INTERNATIONAL MONEY MARKET OPERATIONS

Tokyo offshore bank assets grow

BY ADRIAN DICKS IN TOKYO

THE TOKYO offshore banking market had outstanding assets of $93.7bn at the end of December, and has begun to be used by participating banks as part of their international money market operations, according to the Japanese Ministry of Finance.

The ministry's figures give the fullest picture yet of the development of the offshore market in the first month after its formal inauguration on December 1, as part of the continuing liberalisation of the Japanese financial system. Its overall growth is slightly ahead of bankers' earlier estimates.

About $71bn of the total consisted of funds deposited by banks into offshore accounts for management through their overseas branches. According to the MoF, banks used much of this money for arbitrage operations in dollar interest rates.

Deposits and call money accounted for $17.6bn and loans for the remaining $5.1bn. Assets in currencies other than yen accounted for 78 per cent of the total, while 95 per cent of transactions were with non-residents. The offshore market is closed to Japanese residents, and no net flow of funds is permitted between domestic and offshore accounts.

The market is likely to take years to grow to the size of either the London-based Eurocurrency markets or the smaller New York international banking facility. However, its sponsors in Japan are more interested in competing against Hong Kong and Singapore, which are estimated at about $140bn-$150bn each.

Most bankers in Tokyo are privately sceptical about the usefulness to them of the Japan offshore market under what they regard as an oppressive regulatory and fiscal regime. Pressure is already being exerted on the ministry to relax the rules that insulate the offshore market and to take action to cut tax rates and stamp duty.

The ministry is not, however, expected to change the market's regulations until it has proved itself over a longer period. For the time being the ministry is likely to be satisfied with its operation, and in particular with the initiative taken by several Japanese regional banks to attract offshore business.

The Bank of Tokyo has already arranged two syndicated dollar loans, for Thailand and Indonesia, since the inauguration of the offshore market, with several Japanese regional banks contributing part of the funds.

French telecom authority earnings decline to FFr 7bn

BY PAUL BETTS IN PARIS

THE FRENCH telecommunications authority, the Direction Générale des Telecommunications (DGT), has reported a decline in net earnings to FFr 7.1bn ($1.2bn) last year from FFr 11bn the year before.

The decline reflects in part lower drawings last year on previous provisions made by the telecommunications authority against foreign exchange losses. The drawings last year totalled FFr 4.5bn compared with about FFr 5bn the year before. At the same time, the DGT's contribution to the Government budget and to the financing of the French electronics industry, the postal services and the space research agency rose 29 per cent last year over 1985.

The DGT contributed a total of about FFr 20bn to the Government budget and to other sectors, including FFr 6.15bn for the state budget, FFr 4.3bn for the postal services, FFr 4.3bn for the space agency and FFr 5.25bn for the country's electronics industry.

The state telecommunications authority is now hoping that this burden of state financing it has to support will decline following the reorganisation and reform of the French telecommunications structure envisaged by the conservative Government.

DGT turnover rose about 7 per cent last year to FFr 91bn from FFr 85.4bn the previous year. Conventional telephone services accounted for FFr 66.5bn of the total compared with FFr 62.5bn the year before.

The authority's debts rose by FFr 5bn to FFr 113bn last year with the foreign debt element falling 13 per cent to FFr 45bn as a result of the decline of the dollar.

Despite a 10 per cent increase in net cash flow to FFr 28.1bn last year, the DGT's debt servicing ratio remained high with financial charges equivalent to about 14 per cent of annual turnover.

Rauma-Repola in Finnish move

By Olli Virtanen in Helsinki

RAUMA-REPOLA, the Finnish metals and forest industry group has bought a controlling share of Rosenlew, another Finnish forestry company. Rauma-Repola raised its share in Rosenlew from 14 per cent to 51.5 per cent after a number of families sold their holdings for an undisclosed sum.

Rosenlew is particularly strong in the packaging industry, which accounted for 40 per cent of its total turnover of FM 1.51bn ($330m) in 1985. It also has substantial interests in chemical and mechanical forest industries. These will contribute to Rauma's forest industry operations which are also based in the west coast of Finland.

N. AMERICAN QUARTERLIES

AMERICAN BRANDS
Tobacco products

Fourth quarter	1986 $	1985 $
Revenue	2.2bn	1.94bn
Net profits	117.4m	112.6m
Net per share	1.03	0.98
Year		
Revenue	8.47bn	7.31bn
Net profits	365.2m	420.9m
Net per share	3.16	3.67

COMMONWEALTH EDISON
Utility

Fourth quarter	1986 $	1985 $
Revenue	1.27bn	1.16bn
Net profits	212.7m	208.5m
Net per share	0.91	0.98

AVNET
Electronics distributor

Second quarter	1986-87 $	1985-86 $
Revenue	375.9m	330.7m
Net profits	4.6m	7.8m
Net per share	0.13	0.22
Six months		
Revenue	730.0m	678.1m
Net profits	10.6m	15.3m
Net per share	0.30	0.43

AZP GROUP
Utility holding

Fourth quarter	1986 $	1985 $
Revenue	231.8m	230.3m
Net profits	50.0m	68.2m
Net per share	0.63	0.82
Year		
Revenue	984.0m	935.1m
Net profits	294.19m	273.54m
Net per share	3.04	2.86

BRITISH COLUMBIA FOREST PRODUCTS
Forest products

Fourth quarter	1986 C$	1985 C$
Revenue	348.9m	294.8m
Net profits	5.9m	10.8m
Net per share	0.12	0.21
Year		
Revenue	1.10bn	1.14bn
Net profits	40.2m	30.1m
Net per share	0.79	0.60

BECTON DICKINSON
Pharmaceuticals

First quarter	1986 $	1985 $
Revenue	343.9m	285.4m
Net profits	*31.8m	18.8m
Net per share	0.75	0.44

* Includes $24m gain from unit sale

CLOROX
Grocery products

Second quarter	1986 $	1985 $
Revenue	214.8m	207.1m
Net profits	16.03m	13.60m
Net per share	0.60	0.51
Six months		
Revenue	465.4m	462.2m
Net profits	44.99m	40.02m
Net per share	1.69	1.51

EMHART
Industrial and consumer products

Fourth quarter	1986 $	1985 $
Revenue	504m	465m
Net profits	25m	20m
Net per share	0.64	0.73
Year		
Revenue	2.08bn	1.78bn
Net profits	†10m	80m
Net per share	0.35	2.90

† Loss reflects $90M charge

McKESSON
Drugs, beverage distribution

Third quarter	1986-87 $	1985-86 $
Revenue	1.78bn	1.53bn
Op. net profits	30m	21.7m
Op. net per share	0.82	0.54

KAUFMAN & BOARD
Housing, mortgage banking

Fourth quarter	1986 $	1985 $
Revenue	391.2m	307.3m
Net profits	18.3m	19.5m
Net per share	1.01	1.07

INTL. COMPANIES and FINANCE

New deposits fall 82% at Japanese savings bank

By Carla Rapoport in Tokyo

JAPAN'S Postal Savings Bank, the largest deposit-taker in the world, suffered an estimated 82 per cent drop in new deposits last year, the biggest decline in more than a decade.

Postal Savings officials said the drop was largely due to record low interest rates in 1986. Nonetheless, ordinary commercial bank deposits during the same period showed relatively stable growth.

According to current estimates, net gains in deposits last year plummeted to just over Y500bn ($3.2bn), compared with Y2,900bn in 1985. Postal Savings officials expect net gains in deposits this year to be unchanged at Y500bn.

Despite the big drop in new deposits, Postal Savings officials and analysts in Tokyo say that the bank is not headed for serious difficulties. According to proposed revisions in the Japanese tax system, Postal Savings is soon to lose its ability to offer tax-exemptions for the interest earned on deposits of Y3m and under. Instead, the Gvernment will be allowing the bank to begin offering a variety of new services.

Postal Savings, with total funds of Y108,000bn, is an important source of funds for the Japanese Government. The drop in new deposits, however, did not affect the Government's fund-raising plans last year because of the general surplus of liquidity. Nonetheless, because of its crucial importance to the Government, analysts do not expect that the Ministry of Finance will let Postal Savings languish.

When it loses its tax-exempt status for income on small deposits, Postal Savings will be allowed to establish a Y2,000bn Postal Savings Financial Deregulation Fund. Through this fund, for the first time, the bank will be able to handle corporate bonds, bank debentures, deposits at short-term financial institutions, principal guaranteed monetary trusts, designated foreign bonds and government and municipal bonds, provided that more than half the investment fund for each fiscal year is earmarked for the underwriting of newly-issued government bonds.

The fund will be increased by Y500bn each fiscal year from 1988 to 1991 to reach a total of Y4,500bn.

Further, the maximum deposit amount for individual savers of Postal Savings will be raised to Y5m from the current Y3m. Bank officials estimate that the volume of government bonds that will be sold over post office counters in fiscal 1987 will be Y1,000bn.

"The services offered by Postal Savings are very easily expandable," says Mr Tait Ratcliffe, president of International Business Information, a financial research organisation in Tokyo. "The bank is too important a source of funding for the Ministry of Finance to let its business decline significantly."

Cathay shares suspended amid talk of China link

BY KEVIN HAMLIN IN HONG KONG

SHARES IN Cathay Pacific Airways and Swire Pacific, the Hong Kong trading house which is its parent, were suspended from trading on the territory's stock exchange yesterday amid widespread market rumours that China International Trust and Investment Corporation (Citic), the Peking-controlled financial group, is preparing to take a stake in Cathay.

A Cathay Pacific official said the companies had requested suspensions because an unspecified proposal was being considered that could affect the two companies' share prices.

Cathay Pacific has long been anxious over its future after 1997, when sovereignty over Hong Kong reverts to China. Its flotation early last year of 22.5 per cent of its equity—15 per cent to the public and another 7.5 per cent in private placements—was designed to strengthen its claim to being Hong Kong's airline.

Cathay's shares closed on Friday at HK$5.60 each, and some analysts estimate that any placing could be made with Citic at about HK$5.80 per share. They believe its size could represent anything between 2 per cent and 20 per cent of the airline.

Assuming a 5 per cent allocation at that price, the mainland investment institution would need to pay some HK$770m (US$98.7m).

Cathay has fought a fierce policitical battle with Dragon Airlines, a fledgling carrier controlled by Sir Yue-Kong Pao, the shipowner and financier who has strong connections in China.

Dragonair has persistently sought scheduled flights out of Hong Kong, so far with little success due to strong objections from Cathay. Cathay's political standing, and thus its claims on Hong Kong's air traffic, would be infinitely strengthened by financial involvement from China.

It is assumed that Swire Pacific is considering selling a portion of its own holding in Cathay, but other shareholders could also be involved. Swire Pacific now holds 54.25 per cent of Cathay, and Hongkong and Shanghai Bank, with 23.25 per cent, is the second biggest shareholder.

Swire said in late 1985 that up to 25 per cent of Cathay would be sold in all, and it was then felt Swire would reduce its holding to 52.5 per cent, with Hongkong Bank's stake down to 22.5 per cent.

Swire could well prefer to retain more than 50 per cent, in which case Hongkong Bank might reduce its holding. The two concerns scaled down their holdings in equal proportion when the airline went public.

Shiseido maintains growth in profits and turnover

BY YOKO SHIBATA IN TOKYO

SHISEIDO, Japan's largest cosmetic maker with a 40 per cent domestic market share, improved its pre-tax profits by 5.4 per cent to Y33.15bn ($216.6m) in the year to November.

Net profits were Y13.11bn, up 0.6 per cent, on turnover of Y341.33bn, ahead by 3.7 per cent from the previous year.

For the current year, the company expects to raise both sales and profits for the 13th consecutive business year.

During the year sales of women's cosmetics showed slow growth, while sales of cosmetics for men as well as general toiletries and underwear were brisk. Sanitary products and accessories each showed 18 per cent growth.

Operating profits fell slightly because of higher sales management costs including advertisement of new products. However, active fund management reduced interest payments, which helped to maintain pre-tax profits. The dividend is unchanged at Y10 for the year.

Full year pre-tax profits are expected to increase 1.3 per cent to Y33.6bn, on sales of Y356bn, up 4.2 per cent. The dividend is to be maintained.

Blue Circle Southern urges rejection of bid

THE BOARD of Blue Circle Southern Cement has recommended shareholders not to accept the A$573m (US$379m) takeover offer launched by Boral the Australian building products group, Reuter reports from Sydney.

Boral is offering A$5 per BCSC share or six of its shares for every five BCSC shares.

The board recommended against the offer because Boral will not be able to attain its 90 per cent acceptance condition unless BCSC's two equal 41 per cent shareholders, BHP of Australia and Blue Circle Industries of the UK, accept, the board said in its formal response.

AECI to pay R58m for Triomf Fertilizer assets

BY JIM JONES IN JOHANNESBURG

AECI, South Africa's largest diversified chemicals group is to pay R58.5m ($28.3m) for the assets and business of troubled Triomf Fertilizer.

The assets include stocks and Triomf's factory at Potchefstroom, which sells fertiliser principally to local maize farmers. Triomf's 400,000 tonnes a year Richards Bay factory, which exports phosphoric acid and phosphate fertilisers, is not included in the deal as it is being sold separately by Triomf's liquidators.

The present purchase has been structured differently from what was originally envisaged and is designed to free AECI of any possible liability for Triomf's debts. Once Triomf has redeemed R85m of preference shares, which are mostly owned by Nedbank, it will be a cashless shell and its Johannesburg Stock Exchange listing will be terminated.

The acquisition of Triomf is expected to give AECI about 40 per cent of the South African fertiliser market.

● Everite, the South African fibre cement and building products maker which is an associate of the Swiss Eternit group, increased both turnover and profits in the six months to December.

The first half's turnover increased to R112.9m ($54.3m) from R111.4m in the corresponding period of 1985, the interim operating profit before interest increased to R13.0m from R8.9m and pre-tax profits were R12.5m against R8.3m.

First-half earnings increased to 34.0 cents a share from 14.5 cents and the interim dividend has been lifted to 17 cents from 7.5 cents.

Investors in Eurodollars keep to the sidelines

BY CLARE PEARSON

CONTINUED concern over the dollar kept investors in the Eurodollar market on the sidelines yesterday and prices of fixed-rate bonds were marked about ½ per centage point lower in trading.

The one new straight dollar Eurobond of the day—a $150m deal for Banque Francaise du Commerce Exterieur—suffered as the market weakened, although its terms looked fair when it was launched during the morning.

The 7¼ per cent 10-year bond was priced at 101, to supply an initial yield spread over the US Treasury bonds of about 70 basis points. The lead-manager quoted the issue at a bid price of 99, a discount equivalent to the total fees.

The Euroyen market was in livelier mood than the Eurodollar sector, buoyant by expectations of an imminent Japanese discount rate cut. But dealers said concern that lower interest rates right already be factored into prices was beginning to undermine the generally bullish tone.

Yasuda Trust's new Y15bn bond for Credit National met an enthusiastic rsponse from the market, as its pricing looktd generous compared with outsanding issues of comparable quality.

The five-year 5¼ per cent bond was priced at 101⅛. It traded well within its 1⅞ per cent fees at a bid price of 100½.

Meanwhile, a recent Y50bn seven-year bond for Sweden was bid at a discount of 1⅞ percentage points, within its fees.

The Australian dollar primary market was looking overloaded yesterday following the relatively heavy issuing volume of recent weeks. Nevertheless, Hambros Bank found reasonable demand for its new issue for Erste Osterreichische Spar-Casse-Bank, the Austrian Bank.

The A$40m 6½-year issue benefited from the scarcity of bonds in the sector with maturities of over five years. Additionally, the issuer is well-known to Continental investors. The 14¼ per cent deal was priced at 101½.

Yamaichi International (Europe) led a $100m equity warrants bond for Showa Denko, the Japanese chemical company. The five-year bond has an indicated coupon of 3¼ per cent and traded at a premium of 3½ percentage points to its indicated par issue price. Terms will be fixed on February 2.

Credit Suisse First Boston fixed the terms on its multi-currency package of 10-year convertible bonds for Elders IXL, the Australian brewing, finance and agricultural group, which was announced last week.

The terms were set as indicated at the time of launch. Even though the issues had looked slightly expensive compared with an earlier clutch of convertibles for the borrower, they were helped by Elders' popularity among European investors. They were still trading close to their issue prices yesterday.

The coupon on the £85m tranche was set at 7 per cent, while those on the $75m tranche, and the SFr 125m issue, were fixed at 5 per cent and 2 per cent respectively. In all cases, the conversion premium was fixed at 10 per cent over the shares' close on Friday, to give a conversion price of A$5.28.

In the D-Mark market, the coalition government's victory in Sunday's West German elections steadied the market. Dealers said they were evaluating their position now that some of the uncertainty has been removed from the market, and trading was thin. Prices were marked down by up to ⅝ percentage points in response to weaker US Treasury bonds.

Dresdner Bank led a DM 100m seven-year bond for Hydroelectrica Iberica Iberduero, the Spanish utility. The 6½ per cent bond, priced at 100, is callable in the fifth and sixth years.

The issuer is not well known in the market but dealers said it was fairly priced, yielding about 65 basis points over West German bank bonds. It was quoted at 98½ bid, within its 2½ per cent fees.

In Switzerland, prices were unchanged in slightly lower volume. The market was unaffected by the West German election result.

Fuji Heay Industries' SFr 150m 4¼ per cent bond closed its first day's trading at 98¼, compared with a 99½ issue price.

Today Chubu Electric Power is expected to launch a SFr 200m public issue.

Demand seen for Canadian pulp

BY ROBERT GIBBENS IN MONTREAL

CANADA'S pulp and paper industry will run flat out in 1987, operating at 98 per cent of rated capacity overall and 99 per cent in the newsprint mills.

The Canadian Pulp and Paper Association forecasts that the industry's activity will equal the last cyclical peaks set in 1979-81. Inventory building has already begun in pulp and many other products in advance of expected price increases.

Demand for nearly all products will be strong both in North America and overseas because of the steep fall in the US and Canadian dollars in the past year, the CPPA said.

Only 140,000 tonnes of new newsprint capacity will come on stream in Canada in 1987

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on January 26

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Express 7⅝ 93	100	98⅜	98⅝	−0½	+0⅛	7.89
A/S Eksportfinans 7⅝ 93	100	99⅞	100⅜	−0⅛	−0⅛	7.62
Australia Com. 11 95	200	116⅜	117	−0⅛	−0⅛	8.16
Australia Com. 11¼ 00	100	116½	117½	−0⅞	−0⅛	9.03
BP Capital 9¼ 94	100	106½	106¾	−0⅛	−0⅛	7.87
British Telecom 7⅝ 96	250	97⅞	98⅜	−0⅛	−0⅛	7.98
Campbell Soup 10½ 95	100	113½	114⅛	−0½	−0⅛	8.19
Canada 9 96	1000	107⅞	108⅜	−0½	−0⅛	7.72
Canadian Pac. 10¼ 93	100	109⅞	109⅞	−0⅛	−0⅛	8.70
CCCE 7¼ 91	123	99⅞	100⅛	−0⅛	−0⅛	7.34
CNCA 7¼ 91	150	99⅞	100⅛	−0⅛	−0⅛	7.24
Citicorp 8¼ 93	200	98½	99	−0⅛	+0⅛	8.49
Credit Lyonnais 9 91	200	105⅛	105⅝	−0⅛	−0⅛	7.30
Credit National 9⅛ 93	150	106⅛	106⅝	−0⅛	−0⅛	7.74
Credit National 7⅝ 91	150	99⅞	100⅛	[illegible]	[illegible]	7.25
Denmark Kingdom 7¾ 95	250	99⅞	100⅜	−0⅛	−0⅛	7.74
Denmark Kingdom 8¼ 91	300	102⅞	103⅜	−0½	−0⅛	7.41
Denmark Kingdom 7 88	1000	†100⅛	101⅛	−0½	−0⅛	6.39
EEC 7 91	100	99⅛	99⅝	−0⅛	−0⅛	7.12
EEC 8¼ 96	100	103⅞	104⅛	−0⅛	0	7.65
EEC 8⅝ 91	150	105½	106	−0⅛	−0⅛	6.95
EIB 7⅝ 93 B	100	101⅛	102⅛	—	—	7.26
EIB 7⅝ 93 A	100	100⅝	100⅞	−0⅛	−0⅛	7.52
Eurofima 7¼ 91	100	101⅝	102⅛	−0⅛	−0⅛	7.23
Export Dev. Cpn. 10 90	100	108⅞	109⅜	−0⅛	−0⅛	6.83
Finland 7½ 93	200	99½	100	−0⅛	−0⅛	7.54
Ford Motor Cred. 10½ 91	150	110⅞	111⅛	−0½	−0⅛	7.71
Ford Motor Cred. 11⅝ 90	100	110⅝	111⅛	−0⅛	−0⅛	7.28
Gen. Elec. Cred. 10¼ 00	200	106⅛	106¾	−0⅛	−0⅛	9.35
GMAC 10¼ 89	200	107	107½	−0⅛	−0⅛	6.70
GMAC 8½ 93	200	103⅞	104⅛	−0⅛	0	7.65
IADB 9⅞ 95	200	114⅛	114½	−0⅛	−0⅛	7.61
Liberty Mutual 8½ 96	150	103	103½	−0⅛	0	7.98
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
AB Electrolux 14½ 90 A$	50	100½	101¼	+0⅛	+0⅛	13.82
Amatil Fin. 14⅞ 90 A$	40	99⅞	100⅝	−0⅛	+0⅛	14.61
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pepsico 5¼ 95	150	†104	104¾	+0½	0	4.63
Prov. of Manitoba 4¾ 94	200	†101¼	102	+0½	+0⅛	4.46
Ralston Purina 5⅞ 94	125	*†103⅞	103⅞	0	−0⅛	4.90
Settsu Euro. 0 02	100	*†47⅞	47⅞	0	+2	5.44
Tohoku Elec. Pwr. 4⅞ 96	150	†100	100⅛	0	+0⅛	4.96
USX Corpn. 5¼ 98	100	*†90⅞	94⅞	0	+0⅛	6.45
World Bank 5¼ 94	150	†105	105⅛	−0⅛	+1	4.95

Average price change on day +0⅛ on week +0⅞

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Expr. OS Cr. 5⅞ 91	20	103	103⅞	+0⅛	+0⅛	4.89
Denmark 6⅞ 96	15	105¼	105¾	+0⅛	0	5.99
GMAC 5⅞ 91	60	†100	100½	+0⅛	−0⅛	5.38
EIB 6⅛ 96	25	104	104½	0	−0⅛	5.52
Sweden, Kingdom 5⅞ 95	20	100⅜	101¼	+0⅛	+0⅛	5.47

Average price change on day +0⅛ on week 0

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asics 5 92 DM	12/85	472	†123½	124½	+4	11.34

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank NV; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); EBC Amro Bank; LTCB International; Robert Fleming and Co.; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch Pierce Fenner and Smith; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Orion Royal Bank; Samuel Montagu and Co.; Societe Generale Strauss Turnbull; Sumitomo Finance International; Swiss Bank Corporation International; S. G. Warburg and Co.; Wood Gundy.

George Graham on the expansion plans of the French financial futures exchange

Matif seeks wider foreign membership

THE PARIS financial futures market has launched a drive for new members to widen its international links.

The financial futures exchange, known as the Matif, celebrates its first birthday next month and has already exceeded even the most ambitious expectations for its success. It is now seeking to add more foreign institutions to its largely French membership.

The Matif also plans to introduce two further contracts, an option on its main long bond contract — which is based on a notional French government bond with a 10 per cent coupon and a life of seven to 10 years — followed by a foreign exchange future trading the dollar against the European currency unit (Ecu), the basket of European Community currencies.

Technically, eight of the existing Matif members are of foreign origin, though they are for the most part virtually French, such as Louis Dreyfus, or have been established in France for decades, like Morgan Guaranty. Among the 88 members, only American Express is really a newly implanted foreign bank.

For the planned Ecu contract, in particular, to be successful, the Matif will need a wider circle than the three or four French banks which are active in the market at present. Exchange officials believe it is essential to sign up the Italian, Dutch and Belgian banks which are most prominent in Ecu dealing.

The success of the Matif became apparent soon after its launch in February last year. The market has continued to grow rapidly since then, bringing capacity problems and wreaking an agreeable havoc with the budgets of Mr Gerard de la Martiniere, chairman of the Chambre de Compensation des Instruments Financiers de Paris (CCIFP) the exchange's clearing house.

His organisation's main source of income is a levy on contracts traded, and with turnover running 10 to 20 times as high as anticipated, the CCIFP has been able not only to move to new premises but also to halve the rate of its levy.

The market itself has also had to move, from a dismal corner of the opulent Napoleonic Palais de la Bourse up to larger and better equipped quarters on the fourth floor which put to shame the riot of loose wires which serves the telecommunications needs of the rest of the bourse.

The wind of change is so fierce that the Matif has even managed to break the traditional monopoly on sandwich supply in the Bourse building, besides stamping on one of the most cherished rights of a Frenchman by imposing a ban on smoking on the trading floor.

Daily volume in the notional contract now averages well over 15,000 contracts a day, with peaks of over 40,000 contracts traded. In October, for the first time, the Matif traded more of its long bond contract than the London International Financial Futures Exchange did of its comparable long gilt contract.

December turnover climbed again to a total of 357,777 contracts, with open interest amounting to 74,289 contracts at the end of the month.

The computer system installed to handle clearing and administration was modelled on that already in use at the Sydney Futures Exchange, which was at the time handling 10,000 to 15,000 contracts a day. This, too, has already had to be upgraded, and studies are now being undertaken which could result in a further upgrading or even in a complete change of equipment supplier.

MATIF LONG BOND CONTRACTS

	Volume	Open interest
March	69,918	17,313
April	96,499	26,331
May	95,737	36,131
June	113,359	36,165
July	60,084	38,971
August	66,141	35,787
September	158,468	40,292
October	325,424	52,866
November	296,956	66,217
December	257,777	74,289

Source: CCIFP

The success has been limited, however, to the notional long bond contract. The second contract traded on the Matif, a Treasury bill future launched in June last year, has met a far cooler response.

Mr de la Martiniere believes that the T-bill contract will finally take off in 1987, helped by the appointment late last year by the French Finance Ministry of 13 primary dealers in the underlying cash market.

"We moved too soon for the underlying developments. You cannot have a successful futures market when there is no underlying cash market," he said.

He points out that even the Bank of France runs into difficulties when it tries to buy T-bills in large quantities.

The few active dealers in the Matif's T-bill pit do not complain about the drafting of the contract. Mr de la Martiniere says. Work is under way, however, on the addition of nearby monthly delivery dates to the existing quarterly contracts, since at the beginning of each quarter traders need something closer to work on than the next contract three months out. There are also some remaining accounting and legal difficulties over the treatment of T-bills.

Market activity is heavily concentrated on a few major players. Nine members alone account for half of total turnover—six agents de change and three banks—while 90 per cent of all business is done by 33 of the 88 members.

Some institutions have chosen not to do any active trading at all, but are still hanging on to their Matif seats, which may themselves become marketable commodities after the current membership drive is over and new seats are no longer being created.

The relationship between the banks and the agents de change—the Paris stockbrokers whose federation, the Compagnie des Agents de Change, operates the bourse—remains, however, occasionally difficult. Mr de la Martiniere says that the council of the CCIFP has so far always managed to reach agreement, but there have been moments of tension.

The banks resent, in particular, the stranglehold of the stockbrokers over the underlying bond market in which they must unwind their positions, as well as the poaching of key dealers by stockbrokers, who can offer more attractive, commission-linked packages than the rigid pay grids that are still the norm in the French banking system.

The tension has broken through to the surface in a little row over whether options on the stock exchange index should be traded on the Matif or on the stock exchange itself.

The row itself is largely irrelevant in the immediate future, since the once-a-day CAC index is unsuitable for options trading and will become more so over the next two years under the weight of new privatised companies coming onto the bourse outside the index.

Yet banks and stockbrokers came to an impasse over the issue and have had to refer it to the Treasury for arbitration.

Senior Treasury officials are irritated by the failure of the financial institutions to resolve the problem quietly, but they are taking their time over deciding and are suspected of using the case to exact other concessions from the stock exchange.

EOE delays Dutch index option

By Laura Raun in Amsterdam

THE European Options Exchange (EOE) has delayed for three months the introduction of an index option on 20 leading Dutch stocks, because of complaints from market makers.

The EOE index option was to have been launched yesterday but has been delayed while the Amsterdam-based exchange seeks a way of satisfying professional traders' complaints.

The market makers disagree with the exchange's contention that a new EOE Dutch Stock Fund—an investment fund launched yesterday on the Amsterdam Stock Exchange—provides a suitable hedge for the index option.

The market makers contend that the EOE Dutch Stock Fund cannot be viewed as an underlying value for the index option because the fund comprises 246 stocks, while the index option covers only 20. Hedging through the outright purchase of the 20 stocks in the index is too unwieldly, they argue. There have also been complaints about the high cost of the stock fund.

The EOE index option was first launched three years ago but trading was suspended when objections were raised over the legality of cash settlement—which is used in index options instead of settlement in the underlying value. The question of whether cash settlement could be viewed as gambling was resolved when the Dutch Parliament gave it the green light last year.

Investcorp earnings up 25%

By Our Financial Staff

ARABIAN INVESTMENT Banking Corporation (Investcorp), the Bahrain-based institution which links Gulf investors with equity opportunities primarily in the US, yesterday reported a 25 per cent boost in net profits last year to $15.2m.

Assets at the December year-end were given as $418.5m, a sharp rise from the previous $259.5m. The dividend is being maintained at a total level of $7.5m, ahead of a doubling of paid-up capital to $100m which took effect at the beginning of this year.

Its portfolio investment business, launched during the year, now has more than $100m under management.

Sec Pac forms Swiss offshoot

By Our Financial Staff

SECURITY PACIFIC, the Los Angeles based banking group, has formed a new subsidiary in Switzerland to act as lead manager in Swiss franc-denominated public issues and private placements.

The new subsidiary will be active in sales and trading in the Swiss secondary markets, and will market its services to non-Swiss issuers, the bank said yesterday. A swaps operation will be added later.

Mr Francois Devaud, formerly with Lloyds Bank's capital markets group in Geneva, will be managing director of the new subsidiary, which will be capitalised at SFr 10m.

Fannie Mae plans $300m issue to lift capital ratios

BY WILLIAM HALL IN NEW YORK

THE FEDERAL National Mortgage Association (Fannie Mae), the biggest provider of conventional mortgage finance in the US, is planning to raise over $300m of new equity to bolster its relatively low capital ratios.

The group, which in terms of assets is larger than most US banks save Citicorp and BankAmerica, plans a common stock offering of approximately 8m shares, to be sold simultaneously in the US and internationally.

This will be the group's second call on the equity markets in less than two years. In May 1985 it raised $107m by issuing 7m new shares.

Mr David Maxwell, Fannie Mae's chief executive, says the group is raising additional equity "to provide the flexibility the company will require to serve the fast-changing needs of home buyers and our customers."

The company had 73.8m shares of stock outstanding at end-December 1986 compared with 59.1m at end-1981.

The offering will be handled by a syndicate of US underwriters led by Shearson Lehman Brothers and by an international syndicate led by Credit Suisse First Boston.

International share offer by Hemlo Gold Mines

BY KENNETH MARSTON, MINING EDITOR

HEMLO GOLD MINES, the new Canadian company formed to own and run the big new Golden Giant gold mine in the Hemlo area of north-western Ontario, is to make an international share offering.

The offer price of the 12m shares is to be announced in a week's time.

S. G. Warburg Securities, a lead manager and underwriter of the offer, intends to make a market in the shares. Listings are being sought for them in Toronto, Vancouver, Montreal and London. The shares are not being offered in the US. Hemlo Gold Mines has a total 87.26m shares in issue.

The new company represents the merger of the interests in the Golden Giant mine and surrounding prospects held by Noranda, Golden Sceptre, Goliath Gold and Hemglo Resources. Holders of Golden Sceptre and Goliath will exchange their shares for those in Hemlo Gold Mines.

After this and the public offering now proposed, the ownership of Hemlo Gold Mines will be: Noranda (50.1 per cent), Hemglo (8 per cent) and the public (41.9 per cent). The company does not intend to diversify out of precious metals.

Nikki Tait on performance-related incentive schemes

Putting a high price on motivation

IF A straw poll of Burton's biggest institutional shareholders is any guide, the company's controversial share option scheme still is in for a bumpy ride on Thursday.

Assurances on how the performance-linked options will operate seems to have brought acquiesance, in many cases, abstention rather than support, from the larger insurance company shareholders.

"My personal inclination is that this is one of the unacceptable facets of capitalism," comments one typical senior fund manager. "But if there is a cap on an individual's options, we probably won't vote against."

Others, particularly among the pension funds, remain implacably opposed.

Even if Burton does win the day, a more fundamental question remains. How far should such schemes go?

Performance-linked pay is not new. Neither are performance-related options. But the proposed Burton scheme, coupled with existing performance-related element in senior employees' pay, is bank rolls beyond anything suggested by a UK company before.

It also—and this is the part which sticks in many institutional gullets — gives certain Burton employees the chance to make very large profits. How much extra incentive, they ask, will this scheme provide to already highly - motivated individuals?

The Burton proposals need to be seen in context. Under the 1984 Finance Act, share option schemes can apply to be Inland Revenue approved. The option-holder need only pay Capital Gains Tax on profits from the exercise of his options. This, at 30 per cent, is usually less punative than the alternative income tax liability, but in order to qualify, the value of shares acquired under the options cannot exceed four times the individual's earnings.

That limit has been widely accepted by institutional shareholders, and by the investment committees of the two major representative bodies, the Association of British Insurers and the National Association of Pension Funds. With a justifiable eye ot members' interests, their share scheme guidelines have three objectives:

- To limit th degree of equity dilution;
- To prevent the issue of shares being pre-empted by "an excessively small group of individuals;"
- To ensure that such schemes do provide the desired incentive.

Translated into practical rules, the investment committees normally stipulate that over a 10-year period no more than 10 per cent of a company's share capital should be issued under all its share schemes; no more than 5 per cent under an executive option scheme; and that the Inland Revenue's four times multiple should be the limit.

However, several ambitious companies, with schemes dating from the late 1970s, have begun to find that the normal 5 per cent option allowance has been eaten up.

Hanson Trust was the first to challenge the guidelines. In November 1984, with 3.25 per cent of its issued share capital under option, it secured approval for a scheme which allowed the four times limit to be breached to the extent that existing options were replaced once exercised provided Hanson's earnings-per-share growth in the five years before the option was granted placed it in the top 25 FT-SE companies. The 10 per cent limit for all schemes, however, was underlined.

Nine months later, Dee Corporation produced another performance-related variant. It had two schemes, one closed and one bound by Inland Revenue limit. It added a third under which half any options granted would only be share price reached 240p and the balance after 270p. The shares stand at 228p.

The new scheme abided by the four times rule, and all three executive schemes could not involve more than 5 per cent of the company's share capital.

Finally, last autumn, there was Dixons. The company had an existing share option scheme which had used most of its permitted 5 per cent. It introduced a new scheme, involving another 5 per cent, but with options only exercisable if, like Hanson, earnings-per-share growth put it in the top 25 companies.

Burton's proposals are much wider. Under the new scheme 80 individuals will be eligible for two classes of options. "A" options, which can be worth up to four times emoluments can only be exercised if real earnings-per-share growth reaches 30 per cent in a five year period. "B" options, worth a further four times, which can only be exercised if eps growth over a similar period puts Burton in the top 25.

The maximum volume of the options becomes eight times salar yand up to 10 per cent of Burton's issued share capital could be involved.

The performance criteria are not easy. According to Burton, earnings growth over the past five years would have had to be about 25 per cent a year if the full demands were ot be met. Burton would, however, have manage dthat in the past five years.

A problem arose with Burton's existing Revenue - approved scheme which did not run out until 1988, causing a potential overlap, with the figure of 12-times salary mooted.

There, as least, the letter of Sir Ralph Halpern, Burton chairman, ot shareholders on Friday clarified matters. Any options granted under the 1978 scheme and under the new scheme could not exceed eight times. Further 1978 options could only be exercised if they met the 1987 perofrmance criteria.

But the sticking point is the level of existing salaries. Directors earned a total of £3.5m last year, £2.4m of it through performance - related payments. Sir Rhalp's share was £1m, the largest amount earned b yany UK director, and two other directors received more than £700,000. On multiples of eight, the potential profits could look very large.

Last night, however, Burton confirmed that a £2.5m "cap" was being put on the value of an yindividual's options nuder the 1987 scheme — soething omitted from last Friday's letter.

The amendments have won the backing of the Association of British Insurers. The National Association of Pension Funds is less convinced. Like the ABI, it points out that shareholders must decide for themselves, but a letter to members last week suggested that both the performance criteria and the tax-efficiency of the scheme should be questioned.

If Burton wins, where will option schemes go next? One problem is that the ABI and NAPF rules have not been formally revised to reflect this new trend. Informally, there is an understanding that any company which wants to breach the 5 per cent limit must build in some performance-linking—but that 10 per cent overall is the limit.

As more schemes exhaust existing schemes that may be a tempting route. Where salaries are relatively modest, shareholders should not, perhaps, complain — after all, the incentive is in their interests. But those companies where boardroom salaries are on the steep side, will watch Thursday's events with interest.

And if there is one lesson to be learnt from the whole affair, it is that there are more sensitive ways of handling such touchy subjects.

Sir Ralph Halpern, chairman of Burton Group

LAST night, Burton announced that Mr Richard Harris, a non-executive director and chairman of its remuneration committee, has written to the Association of British Insurers and the National Association of Pension Funds, confirming that no individual will receive options worth more than £2½m at the subscription price under the new scheme.

ECC bid for Bryant 'on a knife-edge'

THE PRICE of Bryant Holdings shares slid yesterday as the odds lengthened against English China Clays succeeding with its hostile £187m bid for the housebuilder and property developer. The bid closes today.

Bryant shares fell 10p to 164p, 26p below the value of EEC's share offer and 16p below its cash alternative.

The decline was interpreted as indicating market sentiment that the bid was likely to fail, especially because any buyers yesterday were unlikely to be able to take delivery of their shares in time to accept EEC's offer.

Both sides, however, continued to predict a close result. "This one's really on a knife edge," one stockbroker said yesterday.

ECC announced the purchase of another 1,911,000 Bryant shares to raise its interest to 29.7 per cent and warned that the Bryant share price was likely to fall further if the bid lapsed.

Bryant, meanwhile, denied that it had claimed any higher level of support than 26.7 per cent.

- ECC Quarries, the Cornish group's construction materials division, said yesterday that it had exchanged cotnracts to pay Salop Sand and Gravel £2.04m in cash for two quarries at Crewe and Stourport-on-Severn.

It also said it would spend £10m to refurbish and increase the capacity of its Croft quarry at Leicester. Other planned investments included improvements at quarries in south-west England and creation of a block paving plant at Leighton Buzzard and new depots in the London area.

Norfolk Capital buys Celebrated Hotels for £15m

By Mike Smith

Norfolk Capital Group, the hotels company in which Scottish & Newcastle Breweries recently acquired a 5 per cent stake, yesterday announced plans to buy Celebrated Country Hotels for £15.3m.

The purchase of Celebrated, owner of four English hotels, is to be satisfied by the issue of 61.2m new ordinary shares in Norfolk which will represent 21 per cent of the enlarged equity.

Morgan Grenfell is placing the shares conditionally with investment clients but existing shareholders are to be offered them for 25p each. Norfolk's shares closed yesterday at 29p, down 1½p.

The Celebrated acquisition represents the latest in a series of changes in the quality and composition of Norfolk's hotels in the last two years.

In 1985 three hotels were sold and the Briggemns House Hotel was acquired. Last year several hotels were refurbished, and the company bought the Caledonian and North British Hotels in Edinburgh and sold the Bayswater Fairway in London.

Norfolk says the Celebrated hotels — the Oakley Court, outside Windsor, the Eastwell Manor, near Canterbury, the Elms, near Worcester and the Billesley Manor, just outside Stratford-Upon-Avon — are all well located and have potential for development.

In the year to March 31 last year Celebrated made an operating profit of £890,000 on sales of £4.78m.

Norfolk's last results showed profits in the six months to June 30 1986 of £439,000 on turnover of £5.7m. The directors say that for the year as a whole profits and earnings per share will be substantially higher than the £1.01m and 65p for the year to September 30 1985. They intend to recommend a final dividend of 0.25p net (0.2p).

Scottish & Newcastle confirmed its stake of 11.5m shares in Norfolk earlier this month. After talks with the company it said it remained a concerned investor without commitment to any one specific course of action.

Gold Fields in £160m US aggregates expansion

BY CLAY HARRIS

Consolidated Gold Fields is to expand its US building materials business with the $242.3m (£160m) acquisition of American Aggregates Corporation.

AAC produces sand, gravel and limestone aggregates in the midwestern states of Ohio, Michigan and Indiana. It is being bought by Gold Fields' ARC America subsidiary.

The cash deal follows a competitive tender arranged by Goldman Sachs, US investment bank. ARCA already owns Hydro Conduit, the largest US supplier of concrete sewer and culvert pipes, and smaller aggregate operations in two western states.

AAC reported pre-tax profits of $14.7m on sales of $78m in the year to last March. It produced 17.7m short tons of aggregate in 1984-85 and estimated output for present year is 21.6m tons.

A revaluation of the company's net tangible assets, including 1.8bn tons in proven and probable mineral reserves, was likely to show a significant surplus over the book value of $91.6m at December 31, ARCA said. It also expected to raise money through the disposal of surplus property holdings.

AAC ranks first or second in its five main markets: Indianapolis, Columbus, Dayton, Cincinnati and Detroit. Gold Fields claims that the short-term outlook for demand from these industrial areas in America's "Rust Bowl" is better than for the US as a whole because of the need to renew infrastructure.

The ARC group, formerly Amey Roadstone, is the largest single contributor to Gold Fields' profits, although the development of new mines and the strength of the gold price means that mining as a whole outweighs building materials.

ARCA is to pay $30 625 per share in cash, compared with Friday's closing mid-price of $25.50 on the NASDAQ over-the-counter market. Gold Fields will fund the purchase from existing committed bank loan facilities.

The acquisition has been recommended by the AAC board and ARCA has been granted options over 35 per cent of the company's shares. The deal depends on at least 80 per cent of shares being tendered and on US anti-trust clearance.

Takeover target Fothergill forecasts £3.8m profits

BY TONY JACKSON AND NIKKI TAIT

Fothergill and Harvey, the Lancashire-based advanced and insulation materials manufacturer which is contesting a £28m bid from Courtaulds, the textiles group, yesterday forecast pre-tax profits of £3.8m in 1987.

That compares with an estimated £2.7m in 1986—itself barely changed from the previous year's figure not reflecting a sharp second half recovery. Fothergill shares added 10p to 278p—putting further pressure on Courtaulds to raise its 225p cash offer if it wants to secure its target.

In a separate announcement, Courtaulds is to take majority control of Hysol Grafil, its joint venture in carbon fibre with Dexter Corporation of the US, raising its stake from 50 per cent to 80 per cent. The price was not disclosed.

The Fothergill document predicts that earnings per share in 1987 will be not less than 19.9p —up by 38 per cent—and dividends will increase by more than one-fifth to 11.75p a share.

The R & D spend in the figures is assumed to be £1.28m — against £1.04m — and last night the company stressed that growth is expected throughout the business with "big recovery prospects in engineering fabrics and metal coatings."

However, Courtaulds claimed last night that the forecast would be subject to a number of "wide-ranging assumptions, including the absences of unforeseen circumstances." There was no explanation, it added, as to why prospects looked so different since the Courtaulds bid was announced.

Yesterday, Courtaulds shares dipped 2p to 366p.

Courtaulds said of Hysol Grafil "this is a very long-term business, which involves foregoing today's profits for the sake of R & D. Dexter is a smaller company and is keen to make profits now, whereas Courtaulds can afford a longer view."

Courtaulds said it was intended that Dexter's minority stake should be maintained. "We have considerable interest in leaving it that way," Courtaulds said. "Dexter have the know-how in US aerospace markets and resin technology, and we have shared R & D and technology agreements."

Hysol Grafil supplies fibres for the kind of advanced composites made by Fothergill & Harvey, whose US partner American Cyanamid has the option to buy CyFo, their joint venture in composites, at book value should Courtaulds' bid for F & H go through.

Chamberlain Phipps spurns Wardle Storeys' overtures

BY DAVID THOMAS

Chamberlain Phipps, the footwear components, adhesives, insulation and cladding company, yesterday rejected merger overtures from Wardle Storeys, the plastic sheet company.

Chamberlain Phipps was recently informed that Wardle Storeys had acquired 75,000 of its shares—less than 1 per cent —and was interested in discussing a merger.

Mr David Chamberlain, Chamberlain Phipps' deputy chairman, said yesterday that there was no commercial overlap between the two companies, and that Chamberlain-Phipps would not discuss a merger with Wardle Storeys.

He said Chamberlain Phipps had announced this because it was concerned about speculative buying of its shares.

Mr Brian Taylor, Wardle managing director, said he was disappointed at the aggressive tone of Chamberlain's response, and would persevere with his attempt to persuade Chamberlain that a merger made sense.

Chamberlain Phipps' shares closed up 22p at 130p. Wardle Storeys' shares closed up 2p at 400p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Cantors ....int	1	Apr 15	0.75	—	2.25
GT Japan ....int	0.4	—	0.4	—	1.4
Blue Arrow	1.4	—	1.2	2	0.12
Telecomputing	0.85‡	—	0.43*	1.6	0.75*
Standard Securities ...	3.1	Feb 27	2.78	4.5	4.05
Ailsa Trust ....int	1	—	1	—	2.5
J. Saville Gordon ...int	0.6	—	0.4*	—	1.28*
Continental Assets	1	—	—	—	—
Vibroplant ....int	4.25	Mar 6	3.7	—	10.5
Habit Precision	1.3	Mar 27	1.15	2	1.75
Hillards ....int	1.18	Apr 3	1	—	3.3

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

FAI steps up its stake in Hill Samuel

By Nick Bunker

FAI Insurances, an Australian general insurer, has increased to 10.9 per cent its stake in Hill Samuel, the merchant bank and financial services group.

FAI, which is headed by Mr Larry Adler, the Australian financier, revealed on January 8 that it had spent £27m on building up a 7.4 per cent stake in Hill Samuel.

Mr Adler said at the time that FAI was not out to take control of Hill Samuel, but was intending to add to its holding by buying more shares in the market.

Mr Adler earlier this month told Mr Christopher Castleman, Hill Samuel's chief executive, that the share purchases were not hostile.

Hill Samuel said last night that it had had no further contact with Mr Adler.

There has been speculation that Hill Samuel could be a bid target. NZI Corporation, the New Zealand insurance group, disclosed on January 7 that it had bought 4.5 per cent of the group

Hill Samuel's shares closed up 9p and 520p last night. FAI was down 5p at 405p.

Confidence at Applied Holographics

Applied Holographics, USM-quoted hologram and holocopier manufacturer, incurred an increased operating deficit in the six months to September 30 1986.

The results included start-up losses of subsidiaries Applied Holographics Inc, Applied Holographics Embossed and Transfer-All Purpose Foils.

Although turnover improved from £32,155 to £59,653, the operating loss came out at £569,181, up from last times £518,048. After investment income of £131,944 (£63,299) and interest payable of £3,129 (£22,685), the attributable loss was £440,366 (£477,434). There was again no tax charge.

The loss per 5p share was 4.1p (5.7p). No dividend was declared.

Nevertheless, Mr O. C. Boxall, chairman, expressed confidence and stated that hologram sales were encouraging and that "very sound progress has been made in the first six months" and expected a marked improvement in second half turnover.

UK business included a contract for over 10m holograms for a product promotion by Nabisco.

Barrow Hepburn

Barrow Hepburn, the chemicals and engineering group currently resisting an £18m bid from Yule Catto, said yesterday that printers had mistakenly released a draft of its profit forecasts for 1986 and 1987. The official forecast is expected to be published later this week.

Blue Arrow quadruples, aims for world top three

Blue Arrow, the UK's largest employment agency group, produced year-end pre-tax profits more than four times higher than last year's at £8.72m and announced its target of becoming one of the top three recruitment companies worldwide.

Mr Tony Berry, chairman, said Blue Arrow aimed to reach its goal within two to three years. Kelly Girl and Manpower lead the field, with Blue Arrow ranked sixth or seventh in world market terms.

Turnover for the year to October 31 almost trebled from £34.12m to £97.1m and earnings per share rose from 14.9p to 21.6p. A final dividend of 1.4p makes a 2p total, against 1.2p previously.

Blue Arrow moved to a full listing in July last year after becoming the UK's largest personnel services group in 1985. It then turned its attention to the UK market, buying four staff recruitment companies with the help of a £30m rights issue in October.

Mr Berry said the new financial year had produced two record months. "Current trading is most encouraging. The company is particularly confident about the group's prospects both in this country and the US.

"We have now completed three quarters of our business plan there in terms of acquisitions giving us a turnover of $150m (£97.68m)," he said. "The one missin gpart of the jigsaw is an executive search company and we would hope to find that slot by the time of the half year figures."

Blue Arrow has identified a company which it hopes will agree to acquisition, probably for more than £10m.

He ruled out a UK bid until after the next set of interim figures but said the group was still keen to expand further into financial services, including possibly advertising.

The group may also expand into the Far East, Holland, France and Germany.

During the past year all divisions reported record levels of turnover and profits. The group's core activity of staff recruitment and temporary help services increased its turnover more than threefold from £22.29m to £75.63m.

Pre-tax profit for this area totalled £7.82m (£1.93m), executive search and selections £513,000 (nil), building maintenance £440,000 (£251,000), and business travel and financial services £146,000 (£21,000 loss).

The UK produced £8.63m (£2.15m), the US £70,000 (£12,000) and Australia £22,000 (nil).

The newly acquired Brook Street business has produced more than £2.5m in profits over an 11 month period, an increase of more than 10 per cent. The board expected significantly more in the current financial year, said Mr Berry.

Interest for the year dropped from £588,000 to £519,000, tax took £3.4m (£806,000) and extraordinary charges £971,000 (£398,000).

● comment

Blue Arrow's shares quivered on the news that it had overshot its profits target before ending unchanged at 448p. The shares have had a good run recently as the market has appreciated how Blue Arrow is reaping benefits from the increasing flexibility of the UK workforce. Workers like the freedom of temporary employment; employers like the cost savings. In the UK, Brook Street, after a six months integration period, is now forging ahead and Hoggett Bowers will be making a full contribution (only five months in these figures) this year. Across the Atlantic, the new acquisitions should add around £5m, even before the expected executive recruitment add-on. The pace of expansoion has been breakneck but thanks to October's rights issue, the cash position is healthy and there seem few potential "nasties" on the horizon. Pre-tax profits could top £18m this year making the shares seem fairly rated on a prospective p/e of 15.

Bowater to dispose of Swedish pulp mill

Bowater Industries is to sell its pulp mill in Sweden to Overboda Travaror, a private Swedish company, for an undisclosed sum.

Bowater made clear its intention to sell the mill in September of last year, when it sold its UK paper operation to a management team for £38m. The deal included an option for Bowater to require the management team to buy its Swedish company, Bowater Svenska, at a set price.

Bowater said the Swedish buyer had made a higher offer. The mill, which has an annual capacity of 120,000 tonnes of mechanical pulp, is claimed to be the biggest producer of market mechanical pulp in Scandinavia.

Bowater Svenska employs 350 people and has sales of SKr 300m (£30m). Bowater said that although profitability had been chequered, in line with the pulp cycle, the mill had been profitable over the past two years, and Bowater had invested SKr 60m over 1984 and 1985 to upgrade the product and reduce costs.

The deal makes Bowater's withdrawal from paper making around the world almost complete. Its only remaining paper business is in Australia.

Anglo Nordic

Anglo Nordic Holdings has disposed of its Vega-Cantley Instrument subsidiary and completed the sale of a freehold factory at Uxbridge.

The subsidiary was sold to an offshoot of the Compudyne Corporation of the US for around £1.47m, payable as to £954,000 cash on completion and the balance by way of deferred consideration of $720,000 payable in five years.

Lilley seeks to reduce debt via the sale of five companies

BY DAVID THOMAS

F. J. C. Lilley, the troubled Glasgow-based construction and contracting company, is seeking to sell certain businesses outside its core operations.

Mr Joe Barber, chief executive, said the sales, which he hoped would raise about £18m in total, were intended to reduce Lilley's debt.

The companies for sale are Seymour Plant, a plant hire business, Charcon Tunnels, a tunnel lining manufacturer, Morrington Quarries and Scottish Granite Company, two quarry companies, and Wilson Pipe Fittings, a specialist foundry business.

Lilley said the companies, which were all profitable, accounted for about 10 per cent of group turnover, which was £175m for the half year ending July 31 1986.

The decision to sell them is the first major step taken by Lilley's new management brought in at the end of last year after the company ran into difficulties, mainly connected with overseas construction contracts.

Mr Lewis Robertson, Lilley's chairman, said: "These are sound, attractive and well-run companies, and they have made and are making a good contribution to Lilley's results. But the priority has to be the restoration of a strong balance sheet with an acceptable level of borrowings."

Mr Barber added that the companies to be sold were Lilley's main operations outside its core activities, but that Lilley was also reviewing some other non-core activities which were not indiscrete companies.

County Bank is advising Lilley on the possible disposal of the businesses.

Clyde buys Premier's 11% stake in Goal

By Lucy Kellaway

Clyde Petroleum, the energetic UK independent oil company, emerged yesterday as the buyer of an 11 per cent stake in Goal Petroleum, sold last week by Premier Consolidated Oilfields to Kleinwort Grieveson.

The purchase takes Clyde's interest to 12.2 per cent. Mr Colin Phipps, chairman, said yesterday that no sudden takeover was imminent and that the stake was strategic.

"We have positioned ourselves, so that if Goal's independence became in doubt, we could be involved," he said. While the activities of the two companies, both of which own a stake in the giant onshore Wytch Farm oilfield, would make a splendid match, he warned that any merger would have to be friendly.

Mr David Boyd, managing director of Goal, said: "We don't believe our independence is in doubt," adding that he hoped the shares would prove a successful investment for Clyde.

The block changed hands for £4.72m, or 58p a share, which compares with the price paid by Premier more than a year ago of about 41p a share.

Clyde has been one of the most active companies in the sector in recent months. Last week it swapped, with Phillips Petroleum, onshore licences in return for offshore acreage.

Samuelson sale

Samuelson Group said terms had been agreed for the sale of the Production Village to Bass Holdings, a subsidiary of Bass.

The aggregate consideration would amount to £2.12m in cash on completion, and would be applied in the continued development of the company's core businesses.

Delays hit Borland and downturn is forecast

BY ALICE RAWSTHORN

Borland International, the US publisher of microcomputer software quoted on the USM, yesterday issued a warning that the current year's profits would be lower than expected, and announced details of a reorganisation of its UK research and development interests.

At the interim stage, Borland's president, Mr Philippe Kahn, warned shareholders that this year's profits could be adversely affected by delays in the new product development programme.

These delays will be rather longer than originally expected. Although one new product, the Turbo Pascal Numerical Methods Toolbox, will be launched within the next few weeks, two larger new products, the Turbo Basic compiler and Eureka, will not appear until after the end of the financial year.

The bulk of the cost of developing these products will be borne by the present year's results, to March 31, and the impact of the delays on profits will be worse than the company initially expected.

Borland's share price fell sharply last week when its stockbroker, Barclays de Zoete Wedd, reduced their profits forecast from $12.8m (£8.3m) to $8m, but recovered at the end of the week. The shares rose by 5p to 116p yesterday.

The company also announced the conditional sale of the rights to six unfinished software projects, developed in the UK, for $1.7m. The rights were sold to Jensen and Partners, in which a Borland director, Mr Niels Jensen, holds an interest. In return for the rights, one million of the shares held by Jensen and Partners in Borland, will be cancelled.

As a result of the sale, Borland will save $700,000 a year in development costs, and will gain a pre-tax benefit of $1.6m in the current year.

Continental Assets opens with £227,000

In its first figures since gaining a full listing on the London Stock Exchange, Continental Assets Trust yesterday reported a net asset value per 75p share of 137.4p for 1986. A dividend of 1p is being paid, and stated earnings per share ended the year at 1.25p.

Investment income from shares and securities totalled £328,000, and deposit interest received was £114,000. After expenses of £215,000, pre-tax revenue was £227,000. Tax took £77,000.

The continuing development of equity markets should allow the company to move towards a fully invested position, said the directors. They added that the early weeks of 1987 had been characterised by rising oil prices, continued exchange rate volatility, concern over the trade protectionism, and the further disclosure of dubious share dealings on certain major stock exchanges.

Against those factors, many markets were attaining historic highs, and the directors considered the prospects for 1987 to be favourable.

New stores help Hillards' growth

BY ALICE RAWSTHORN

Hillards, the West Yorkshire-based supermarket group, yesterday unveiled a 19 per cent increase in pre-tax profits to £4.5m for the first half of the financial year. Most of the growth was fuelled by the contribution from new stores.

In the 28 weeks to November 15, Hillards' turnover grew to £159.07m (£140.74m) and operating profits to £5.41m (£4.49m). Almost all the growth in sales came from new stores, volume sales at existing stores continued its decline in the opening weeks of the interim period, but increased in the closing weeks.

According to Mr Peter Hartley, the chairman, Hillards succeeded in increasing operating margins during the first half, chiefly because of the growth of sales in own label products and higher margin goods, such as fresh foods.

The expansion of own label products will continue. Hillards also intends to further extend its product range.

A review of non-foods merchandise has been completed. Hillards has already begun to rationalise some non-food lines and intends to combine further rationalisation with the introduction of new products in certain areas.

One new store opened during the first half, another has opened since the end of the interim period. Three more units should open in the next financial year. The refitting of established stores continues. All new stores will be fitted with EPOS and a new computer network system will be introduced later in the year.

Hillards is about to conclude an agreement with a third party to offer warehouse and distribution facilities for its goods.

In the first half, earnings per share rose to 5.75p (5.37p) and the board proposes to increase the interim dividend to 1.175p (1p).

Mr Hartley said that the encouraging increase in sales has continued into the second half of the year, rendering him confident of progress in both turnover and profits for the full-year.

● comment

A couple of years ago when regional supermarkets were the butt of every other bid rumour, the shares of the eminently biddable Hillards stood at a premium to the sector. Hillards is as biddable as ever but all the putative predators have disappeared and with them any interest in Hillards' share price, which has withered in the past year or so and fell by 3p to 178p yesterday. In many ways Hillards is doing all the right things—augmenting own label, fresh fruit, fish and more esoteric groceries—the only problem is that it is doing them three years too late. Thus the propective p/e of 14 looks too demanding on projected profits of £10m.

SHARE STAKES

Changes in company share stakes announced over the past week include:

JS Pathology—directors Dr J. M. Shanks and Mr E. E. Crabtree have disposed of 1m and 250,000 respectively.

Micro Business Systems—Mr Clive Richards has entered into an agreement to sell a further 960,000 shares to certain family trusts in which Mr C. S. Taylor and Mr O. Williams are deemed to have an interest. The transaction will increase their beneficial interests to 2.75m shares (5.45 per cent) and 2.73m shares (5.41 per cent) respectively.

Norbain Electronics—Chairman Mr J. B. Nicol has sold 150,000 shares.

New London Oil—Chairman Mr T. A Walker has purchased 30,000 ordinary and now holds 530,000 shares (1.4 per cent).

Bristol Channel Shiprepairers Barlow Clowes Nominees has sold on behalf of its client 1.4m ordinary, bringing its holding to 8.09m (10.13 per cent). These shares are registered in the name of Barlow Clowes Nominees and the beneficial owner of them is Tifa AG, Vaduz, Liechenstein.

A.B. Electronic — Director H. J. Kroch has sold 50,000 ordinary and director D. J. Evans has exercised options on and sold 60,000 shares.

Electronic Rentals—Director T. E. Entwistle has disposed of 13.539 beneficial shares.

First Security Group—Director Dr F. Westlake has sold 20.000 ordinary.

Dalepak—Director I. F. Carr now holds 415,000 shares following the transfer of 600,000 beneficial ordinary to a non-beneficial interest.

Stoddard Holdings—Director M. J. Baker has acquired 11,500 "A" ordinary.

Tyson (Contractors)—Herbert Penn is now interested in a total of 235,880 shares (4.71 per cent). Previously 275,880 (5.52 per cent).

Personal Assets Trust—I. F. Rushbrook has purchased 100,000 ordinary, increasing his own and his family's interest to 11.6 per cent.

Wettern Bros — Wettern Property has disposed of 7,500 ordinary and now holds 140,900 shares (8.88 per cent).

EMAP — Director N. J. Carvalho has disposed of 19,681 "A" ordinary shares.

UK COMPANY NEWS

Improved margins boost profits at Vibroplant

Vibroplant, Harrogate-based plant hire group, yesterday unveiled a 35 per cent rise in pre-tax profit for the six months ended September 30 1986.

The £2.64m out-turn was helped by significantly improved margins. Turnover rose 20 per cent to £13.14m. Shares in the company, which at the beginning of this month were trading at just 335p, ended the day as they started at 400p.

Mr Jeremy Pilkington, chairman, said that in the UK the weather could have a considerable impact in the second half. "But barring exceptional circumstances we anticipate sustaining current levels of improvement to produce a very satisfactory result for the year."

UK demand for plant had been encouraging. Utilisation levels were up and the company's programme of fleet modernisation and expansion was continuing.

The specialist divisions had performed satisfactorily, although price competition had been severe in some sectors. In the US, where Vibroplant is increasing its activities, Georgia Hi-Lift expanded rapidly in its first full six months as part of the group. It made a significant contribution to increased earnings from the US which now account for 15 per cent of profits.

After tax of £925,000 (£782,000) and minorities of £27,000 (£11,000), attributable profits came out £1.69m (£1.16m). Earnings per share, helped by a proportionally lower tax charge, were 28.17p, a rise of 45 per cent on last year's 19.37p.

The dividend was set at 4.25p (3.7p).

● comment

Ever since it rid itself of its disastrous juke box interests two years ago, all the sounds coming out of Vibroplant have been sweet music to the ears of shareholders. In spite of sluggish demand and intense competition in the sector, the company has increased turnover by boosting market share and gains in efficiency have made profits growth even more impressive. As a result the shares have more than tripled in value since the end of 1984. Further progress seems assured. Plant hire is a cyclical business and at the moment it is experiencing an upturn in the UK as building work increases. Meanwhile Vibroplant's entry into the US market five years ago is paying off handsomely; margins are already on a par with those in the UK and the return on capital is better. For the year profits of £4.4m would put the shares, at 400p, on a prospective p/e ratio of 8.5. Not bad for a fast growing company whose shares are likely to yield about 4.3 per cent. The control by chairman Jeremy Pilkington's family of 65 per cent of the shares will restrain the growth in the value of the shares, however.

Britannia Security in £5m expansion

BY DAVID THOMAS

Britannia Security Group, a supplier of commercial and domestic security systems, is making an agreed bid for D. J. Security Alarms.

The directors of D. J. Security, who together own more than 50 per cent of the company's shares, have accepted the offer, which values the company at about £5m.

Britannia is offering four new ordinary shares for every five ordinary D.J. shares, equivalent to 114p per share, a capital increase of approximately 24.6 per cent over the value of D.J. shares on January 22, the day on which D.J. shares were suspended.

A cash alternative gives 108p per share. Full acceptance of the offer would involve an issue of 3,404,560 new Britannia ordinary (10.8 per cent), which will not qualify for any interim dividend declared for the year ending June 30.

Mr John Dunkerley and Mr Allan Jones, DJ's joint managing directors, who hold more than 50 per cent of DJ's shares, have accepted the offer. They will continue in their posts and have waived their entitlements to a second interim dividend of 85p to be paid to DJ shareholders for the year ended October 31 1986.

Mr Anthony Record, Britannia's chairman, said that DJ's alarm network, which is mainly based in the North, would complement Britannia's southern-based network. It would significantly advance Britannia towards its goal of a national alarm network.

Britannia's shares closed down 2p at 143p. DJ closed up 17p at 108p.

Cantors profits soar as acquisitions bear fruit

Cantors, the Sheffield-based retailer, reported more-than-doubled interim profits for the six months to October 25 1986 as the company's acquisition policy continued to bear fruit.

Group turnover rose by 24 per cent from £12.46m to £15.46m, but was eclipsed by pre-tax profit which expanded to £598,000 against £262,000 for the comparable period. Tax accounted for £150,000 (£23,000). Earnings per 20p share came out at 6.54p (3.47p).

An interim dividend of 1p (0.75p) is declared.

The directors said that last year's acquisitions, the cash purchases of Taylors and Masons, based in Yorkshire and Scotland respectively, have been fully integrated into the group and have contributed to the results.

Cantors, which has grown steadily in recent years via a policy of controlled expansion, now encompasses a nationwide chain retailing furniture, carpets and bedding. Three branches were closed during the period, one due to the expiry of its lease, but two new outlets are expected to begin trading in the second half.

Telecomputing looks to US for future growth

TELECOMPUTING, USM-quoted computer software development concern, reported a downturn in profits for the year to September 30 1986.

Despite increased revenue from its consultancy activities—which currently account for over 50 per cent of total turnover—profit before tax fell to £711,000 from £811,000 on turnover increased from £2.75m to £2.98m. Tax took £161,000 (£311,000), while earnings per 10p share rose to 11.55p from 10.51p.

Final dividend of 0.85p is to be paid, making a total of 1.5p for the year, against an adjusted 0.75p.

The directors attributed the setback to the increase in marketing expenditure to facilitate the introduction of a new range of software products, none of which were sold during the year.

They said that demand for the current product range had emanated from the US and that future success was governed by its ability to exploit trans-atlantic markets.

APEX PROPERTIES (property investor and developer): Rents receivable £632,506 (£604,948) and loss before tax £57,235 (profits £318,440) for half year ended September 30 1986. Tax nil (£127,376). Extraordinary credit £126,047 (nil), leaving profits of £68,812 (£191,064). Loss per 10p share, pre-extraordinaries, 0.53p (earnings 1.77p).

All-round growth at J. Saville Gordon

ALL FOUR divisions in the J. Saville Gordon Group increased their profits in the six months to October 31, 1986 and resulted in the group reporting overall pre-tax profits up from £1.76m to £2.02m. The interim dividend is raised from 0.4p to 0.6p net—last year's total was an adjusted 1.28p from pre-tax profits of £2.4m.

The pipeline and stockholding division continued to perform extremely well, said the directors, and profits rose from £622,000 to £695,000. The metal trading and processing division had a more profitable first half with profits up from £106,000 to £164,000, despite lower turnover.

Security and commodity dealing was £370,000 against £272,000, and the directors said the stock and financial markets had remained very active, thus enabling the increased profits.

Figures from the property investment division were marginally ahead at £786,000 (£761,000), but the second half was expected to be more rewarding as refurbishment and development projects were completed and became income producing.

Saville Gordon's main industrial investment property, the Vaughan Estate, was sold to a subsidiary of Williams Holdings in November for £5.8m. The disposal gave rise to a substantial profit, and the net effect was that the property division would have an excellent year.

Disposal of the group's holding in Duport realised an extraordinary profit (before tax) of £3.94m. Stated earnings per share before extraordinary items, were 1.83p (1.45p).

Group turnover in the opening half was £19.50m compared with £18.34m.

Standard Securities nears £2m

Standard Securities, London-based property investor, increased its 1985-86 profits by 8.9 per cent to £1.87m pre-tax and isl ifting its dividend for the year from 4.05p to 4.5p net via a final of 3.1p.

Earlier this month the directors revealed that bid talks with an unnamed overseas company had been terminated.

The potential bidder had proposed to acquire a majority of Stanadrd's equity by making a significant subscprtion of new capital and a general offer fo rthe existing share capital.

Rents receivable from investment and development properties for the year to September 30 improved from £2.09m to £2.51m. Rents from properties held for trading totalled £242,000 (£233,000).

Net trading income declined to £908,000 (£1m) and other operating income to £130,000 (£148,000).

Property management and outgoings accounted for £565,000 (£335,000), administration exepenses for £634,000 (£497,000) and interest charges for £719,000 (£927,000).

Earnings worked through at 11.3p (8.82p) after tax of £505,000 (£698,000).

At year-end net assets were £26.75m, equal to 232p per share or 216p fully diluted. For the previous year the figures were 217p and 205p respectively.

The directors said the company would continue its policy of selling mature investments. They added that curernt financial resources were sufficent to enable it to proceed with all present and foreseeable future activities.

Habit surges 64% to £1m and plans further expansion

Habit Precision Engineering, an industrial holding company with interests in diamond tools and engineering subcontracting, yesterday announced a 64 per cent increase in pre-tax profits to £1.06m for the 1985-86 financial year.

Throughout the 1980s Habit has diversified away from its base in the manufacture of diamond tools into other areas of precision engineering.

In the year to September 30 turnover rose to £13.42m (£9.5m) and operating profit to £1.07m (£721,000). The company paid £17,000 (£79,000) in interest and £228,000 (£126,000) in tax.

Earnings per share grew by 48 per cent to 7.4p (5.01p) and the board proposes to pay a final dividend of 1.3p (1.15p) producing a total dividend of 2p (1.75p).

This was the first year in which the diamond division did not contribute the bulk of profits, according to Habit's chief executive, Mr Charles Thompson.

The division fared well, however, with an overall increase in turnover of 26 per cent buoyed by the first full contribution from ABC Diamond. Existing businesses increased sales by 7 per cent. Since the year end Habit has acquired two industrial diamond businesses—Elgin Diamond Products and Romehold.

The springs division benefited from recent reorganisation and tighter cost control.

● comment

When the present management team moved into Habit in 1981 it confronted a company which was uncomfortably vulnerable to the vicissitudes of the diamond market. The strategy—of augmenting the core diamond tool business by diversifying into niches, while moving into new areas of precision engineering—has now produced a more broadly based business. Although much of the growth in this set of results can be attributed to recent acquisitions such as Mantell, established interests sported underlying growth of 33 per cent or so. Habit's share price, which has risen steadily in recent years, rose by 2½p to 105½p yesterday. The City expects profits of £1.4m for the current year producing a prospective p/e of 10.5. Undemanding given the growth record to date and the, as yet unrealised, potential of Crosby Disks.

BOARD MEETINGS

TODAY

Interims:—Biotechnology Investments, British Bloodstock Agency, Dale Electric, Flogas, Markheath Securities, Mercantile House, Mhangura Copper Mines, Murray Smaller Markets Trust.

Finals:—Leda Investment Trust, Microsystems, Samuel Properties, Throgmorton Trust.

FUTURE DATES

Interims:—	
Ewart New Northern	Jan 30
Green (Ernest) & Partners	Mar 2
Menvier-Swain	Feb 9
Scottish English & European Textiles	Jan 30
Finals:—	
Argyle Trust	Jan 28
Berkeley Govett	Feb 2
British Petroleum	Feb 19
Plastic Construction	Jan 30

TECHNOLOGY

Pentagon takes initiative in war against chip imports

By Louise Kehoe in San Francisco

THE US Defence Department is set to launch a "defence semiconductor initiative" aimed at re-establishing world leadership in semiconductor manufacturing technology and ensuring the *supply of advanced semiconductor chips to US military contractors.*

Proposals for a semiconductor industry co-operative manufacturing project have been circulating within the semiconductor industry and defence circles for the past six months. *Although no official requests for funding have yet been made, it is now clear that the Pentagon aims to begin the project as soon as possible.*

For the first time officially confirming its support of a semiconductor industry co-operative manufacturing effort designed to match Japanese government-backed research and *development projects, the* Pentagon included funding of $50m for a defence semiconductor initiative in its fiscal 1988 budget proposal published earlier this month.

While the $50m earmarked in the Pentagon budget falls far short of the $1bn five-year project mooted within the industry, defence analysts see the budget proposal as a very positive sign. More funds, they suggest, *could become* available if the industry can rally Congressional support.

The semiconductor industry's cause is expected to receive a major boost next month with the publication of a high-level Defence Department task force report on the military's increasing dependency on foreign chip suppliers.

This report will warn that the defence strategy of the US is threatened by *increasing* dependence upon foreign, *mostly Japanese, suppliers of* semiconductor chips.

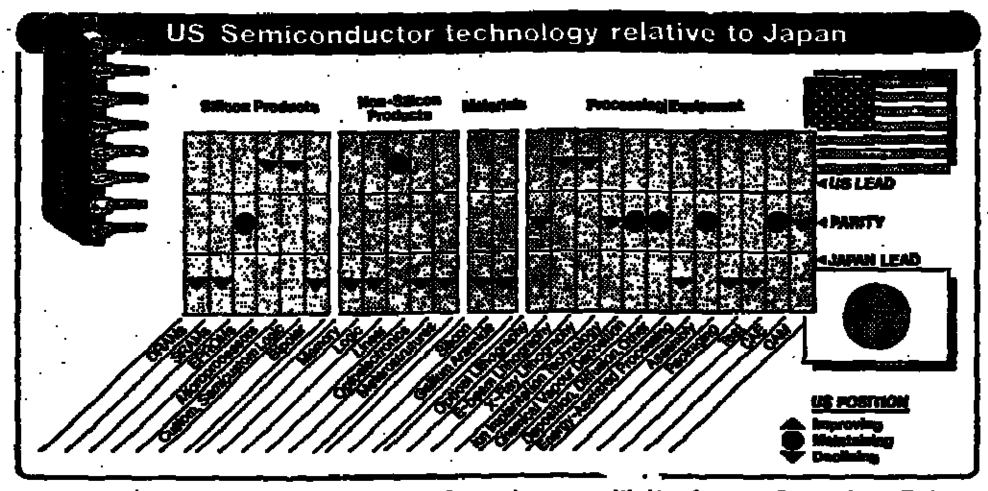
"US defence *strategy rests on* the premise that the numerical *superiority* of our adversaries can be offset by technologically superior weapons," the report notes. "Our capacity for implementing technologically superior weapons may soon, however, be dangerously diminished."

A *final* draft version of the report spells out the problem: "The superiority *of* US defence systems of all types is directly dependent upon *superior* electronics . . . electronics technology is the foundation upon which much of our defence *strategy* and *capabilities* are built. The United States has historically been the *technological leader in electronics.* The transistor, the semiconductor integrated circuit and the electronics digital circuit were all inventions of American *origin.* However, this superiority no longer exists and the relative stature of our technology base in this area is steadily deteriorating."

"In the considered judgments of the *task force* a direct threat to the technological *superiority deemed essential to* US defence *systems* exists."

The task force members summarise their reasoning as follows:

- US military forces depend heavily on technology leadership to win.
- Electronics is the most leveraged military technology.
- Semiconductors are the key to leadership in electronics.
- Volume production is the key to leadership in semiconductors.
- Volume production is supported by the commercial market.
- Leadership in commercial volume *production* is being lost by the US semiconductor *industry.*
- Semiconductor technology leadership will soon reside abroad.
- US defence will soon depend on foreign sources for state-of-the-art technology in semiconductors.



Source: Interagency Working Group on Semiconductor Technology

According to the task force report, "up to several tens of per cent" of the chips used in the latest weapon systems are manufactured outside the US.

The report focuses on the loss of market share and technology lead by US chipmakers *compared to the growth of the* Japanese semiconductor *industry.*

The US, the report suggests, retains superiority in the design of integrated circuits and in the production of speciality chips. Japan and South Korea have, however, won the lead in the *high-volume* dynamic random access memory (DRAM) semiconductor market. According to the task force this signals "a shift of mass production of chips outside the US, which it warns will be accompanied by the move abroad of related industries including semiconductor materials and manufacturing equipment.

> **US defence strategy is threatened by an increasing dependence on foreign, mostly Japanese, chip manufacturers.**

"The threatened loss of the entire commodity semiconductor business by the US merchant producers has put these companies at risk. The seriousness of this risk is evidenced by the fact that in slightly over a decade the US share of the most advanced generation of DRAMs *has fallen from near 100 per* cent to less than 10 per cent."

Many US *semiconductor* industry analysts would argue that the plight of the US merchant chip producer, though serious, is not as risky as the task force report indicates. Although the loss of the DRAM business has been a serious blow for US chipmakers, there is little evidence to suggest a similar *Japanese "takeover" in* other sectors of the semiconductor *market. Japan holds,* for example, only 14 per cent of the world market for 16-bit microprocessors, the chips used to power most personal computers.

The defence task force report seems to be designed to shed the worst possible light on the *situation: "US producers* are increasingly becoming incapable of producing the highest-technology products with sufficient quality in high volumes and with the timeliness required to achieve profitability by American capital market standards," the report concludes.

While the *huge losses* recorded by US semiconductor *manufacturers over the past two* years demonstrate a major industry recession, any balanced analysis would have to explain that Japanese companies have also incurred heavy losses over the same period.

The purpose *of* the task force report is however to highlight the dangers of the *declining* US role in the world semiconductor market. *"Domination of the* semiconductor industry is a pre-*requisite to the domination of* 'downstream' industries," the report suggests. Downstream industries, it explains, include computers and telecommunications.

"Since the superiority of US military forces depends upon superiority in the intelligence, command, and control systems that multiply the effectiveness of force *application, foreign* domination of the computer, *communication and control in*dustries would obviously have very *profound implications for* the Department of Defence . . . such domination could be a threat of non trivial magnitude to the overall economic health of the United States in the decades ahead," the report warns.

To counter the "threat" the Defence Department task force recommends *the establishment* of a *"semiconductor manufacturing technology institute."* To be run by a consortium representing US semiconductor producers, the "institute" would establish a large-scale semiconductor manufacturing facility for advanced semiconductor devices.

Initial capitalisation of the *institute* by its industrial members would be $250m and support of $200m per year for five years should be provided by the Department of Defence, the report recommends.

Details of how such a project should be run are expected to be provided by the *Semiconductor Industry Association* (SIA), an influential trade group representing US chipmakers. Not coincidentally, the SIA, plans to unveil in Washington in March its proposals for an industry-wide co-operative manufacturing scheme designed to boost the international competitiveness of US chipmakers.

The goals of the Pentagon and the US chipmakers are *different: The Pentagon* wants a secure American-based supply of advanced chips, while the industry aims to share the huge costs of developing next-generation production technology that will enable it to continue to compete with Japan. In proposals for an industry-wide co-operative manufacturing project, both the military and the industry appear, however, to have found common cause.

What remains to be seen is *whether the Pentagon or the* industry can come up with enough *funds* to make the project worthwhile and whether, when push comes to shove, the fiercely competitive US chipmakers can work together as a group.

Database will aid European access to US innovations

BY JANE RIPPETEAU

A GROUP of New York investors is setting up a data-*base service that it believes* will give European companies *easier access to advanced tech*nology in American start-up companies. It would also give American entrepreneurs access to European markets.

The service, which backers hope formally to announce in Frankfurt next month, is to consist of a list of hundreds of innovative US companies published and distributed—free—once every three months, according to Paris de l'Etraz, a founder and director of the new venture, called Techstart International. De l'Etraz, 26, is also a computer systems analyst with the Union Bank of Switzerland.

"This is a very attractive idea, and for the European market it is a completely new concept," says Dr Christian Franck, a director at Commerzbank in Frankfurt, who will serve on a Techstart advisory board for Germany. The board also includes representatives from Fried. Krupp, MBB, Siemens and the European Commission.

The Techstart venture underscores a growing demand for information concerning the potential transfer of technology between the US and Europe. Another US company, Venture Economics, in Wellesley Hills, *Mass,* reports a *sharp rise in* the number of European *companies* asking *for* such help. Europeans want "someone in the states to identify and evaluate opportunities" for them, says Mark Radtke, vice president for corporate services.

Eventually, Techstart also hopes to capitalise on that demand, for which it would charge a fee, according to Peter *G. Schmidt,* a lawyer with Moore, Berson, Lifflander and Mewhinney in New York who is also a director and investor in Techstart. He also foresees a lucrative "marriage-broker" service matching American companies, which do not want to be on a widely distributed database, with European partners.

Although the *initial* target audience is Europe, Techstart *intends* to expand *to* the People's Republic of China, according to Peter Ruof, Techstart chairman and chief executive. Ruof, formerly of the World Bank, has a company that arranges joint ventures technology transfer with China.

Initially, Techstart's scheme is to disseminate a list of technologies, organised in 40 industrial *classifications,* with the name and location of the company *suppyling the product or pro*cess. De l'Etraz intends to limit the list to start-ups that already have financial backing and a viable product. He hopes to include up to 2,500 companies.

Instead of charging interested customers for the list, Techstart will charge each start-up company a fee — $250 per product listed — to be on the database. Investigation of applicants' statements will not usually in*clude visits to* the companies.

Recipients of the list will be identified by national advisory boards, such as the one already set up in Germany. Board members, unpaid, are to ferret out names of likely industrial partners to receive the list, as well as collect information on technologies for a European database for the American market. One venture capitalist asked to participate on a UK board said he would probably decline because it was not in his interest *to provide such information for* free.

Ruof believes, though, that board members will have the incentive of earlier access to potential deals. He feels that charging for the database would not work because "Europeans are very interested to see tech*nology, but are not, initially,* always willing to pay."

Some executives familiar with Techstart have reservations about the amount of time commitment possible among people mainly employed elsewhere, and about the apparently limited level of technical expertise available.

But others are enthusiastic. Ginger More, general partner of Oak Investment Partners, a fund with $150m invested in about 100 companies in the US and UK, believes the approach is a sound one and that "probably half" of her fund's port-*folio* companies *would seek* a listing. She says the main interest would not be in additional funding but in marketing and distribution links for the European market.

And at Barclays Bank in the UK, David Killick, manager of the High Technology Team, which lends money to start-ups and which Techstart wants to enlist for a *UK* advisory board, says the bank is considering a possible *role* because *"the* whole concept of technology transfer is interesting to us." The bank sponsors the annual Techmart exhibition. "The basic concept certainly seems a sensible one," says Killick.

French crystallise pain relief in the UK

BY HENRY MARA

A POCKET-SIZED pain killing device, that *functions* on two quartz crystals and needs *no batteries, is to* be marketed in the UK by London-based company Anatomia.

Developed by Herve Robert, a French doctor, the Quartzo, as it is called, is part of a new wave of medical equipment which is usable in the home. Hitherto such pain killing apparatus was expensive, as large as an upright piano and was usually located in clinics.

The Quartzo, which looks like a portable staple gun, is aimed at treating arthritis, back pains and conditions involving muscular spasms. It can also relieve morning stiffness and sporting injuries.

In Dr Robert's invention, the quartz crystals set up an electric field. Pain is relieved by the stimulation of reflex pathways which increase the secretion of endorphrins (a morphine-like substance produced by the human body).

FT COMMERCIAL LAW REPORTS

Court cannot wind up Tin Council

IN RE THE INTERNATIONAL TIN COUNCIL
Chancery Division: Mr Justice Millett: January 22 1987

AN UNINCORPORATED non-statutory international association created by treaty between sovereign states cannot be wound up by the court if the effect of winding-up would be inconsistent with the terms of the treaty.

Mr Justice Millett so held when granting an application by the International Tin Council (ITC) to strike out a winding-up petition by its creditor, Amalgamated Metal Trading Ltd. Other parties were creditor Kleinwort-Benson Plc which opposed the motion to strike out, and the Attorney-General who supported it.

Section 665 of the Companies Act 1985 provides: ". . . 'unregistered company' includes . . . any association. . . ."

Section 666: "(1) . . . any unregistered company may be wound up under this Act. . . ."

Section 671: "(1) In the event of an unregistered company being wound up . . . (2) every contributory is liable to contribute . . . and the court or liquidator may exercise any powers . . . which might be exercised . . . in winding up [registered] companies . . ."

HIS LORDSHIP said the ITC was an international organisation established by treaty. Thirty-two nations, including the UK together with the European Economic Community, were members.

It was formed for the purpose of administering the treaty and carrying out functions prescribed by the treaty. Its main functions were to provide for adjustment between world production and consumption of tin, to alleviate difficulties arising from surplus or shortage, and to prevent excessive fluctuations in price and export earnings.

In 1985, in a vain attempt to support the world price of tin, the ITC ran out of money and collapsed. It announced it was unable to meet its commitments. Dealings in tin on the London Metal Exchange were suspended, and the ITC ceased to trade.

The ITC's failure to meet its obligations had left a host of unsatisfied creditors with debts totalling several hundred million pounds. No proposals had been made for payment. The petitioner, Amalgamated Metal Trading, claimed to be owed £5.3m. It had obtained an arbitration award for that sum and applied to the ITC for payment, but the award remained unsatisfied.

In November 1986 Amalgamated presented a petition for the ITC to be compulsorily wound up under Part XXI of the Companies Act 1985. It alleged the ITC was an unregistered company within the meaning of section 665 of the Act, and was liable to be wound up by the court.

The ITC served notice of motion to strike out the petition on the ground (1) that as an international organisation established by treaty between independent sovereign states, the ITC was not subject to the winding-up jurisdiction of the court; or (2) that by virtue of the International Tin Council (Immunities and Privileges) Order 1972 the ITC was immune from such jurisdiction.

The Sixth International Tin Agreement (ITA) under which the ITC was now constituted, came into force on July 1, 1982. The ITC's headquarters were established in London under a Headquarters Agreement made on February 9, 1972 between the UK government and the ITC.

The ITA provided that the ITC should have legal personality. The Headquarters Agreement also provided that it was to have legal personality.

The relevant statutory provisions were to be found in the International Organisations Act 1968 and the 1972 Order. The Act authorised the making of provisions by Order in Council for organisations of which the UK and foreign sovereign powers were members. Those provisions might include conferring the legal capacities (but not the legal status) of a body corporate.

The 1972 Order provided that the ITC should have the legal capacities of a body corporate.

Thus the ITC was an international body corporate created by treaty. It had legal personality in international law.

The making of a treaty was an act of the executive, not of the legislature. It was, therefore, a fundamental constitutional principle that the terms of a treaty did not, by virtue of the treaty alone, have the force of law in the UK.

That did not mean they were to be disregarded. It meant they could not effect any alteration in domestic law or deprive the subject of existing legal rights, unless and until enacted into domestic law by or under the authority of Parliament. When so enacted, the court gave effect to English legislation, not to the terms of the treaty.

Accordingly, the status, capacities and immunities of the ITC in English domestic law were governed by the 1968 Act and the 1972 Order, and not by the treaties. Its existence was recognised by the Order, which had granted it the legal capacities of a body corporate, but it was not incorporated thereby, and it was not a statutory body.

The first question was whether such a body was amenable to the winding-up jurisdiction of the English court.

Section 665 of the 1985 Act was not confined to bodies corporate. It applied to "countless cases of partnerships, associations and companies . . . which are not companies at all" (*Russian and English Bank [1936] AC 405, 432*).

It was plainly capable of applying to an association, incorporated or not, which had been recognised by English domestic legislation and accorded the legal capacities of a body corporate, notwithstanding that it was created by treaty.

Whether it did so, however, was another matter. That depended on the presumed intention of Parliament in enacting section 665.

In order to ascertain the presumed intention of Parliament it was necessary to consider the effect of a winding-up order. Winding-up effected an alteration in the status of a company. It divested it of the beneficial ownership of its assets, which must be applied in satisfaction of its liabilities. If there was a surplus it must be distributed among the members according to their respective rights, and if there was a deficiency, calls might be made on the members according to their respective obligations.

There could be no question of enforcing contributions from member states under section 671 (2) of the Act. Their obligations depended on the provisions of the treaty. To enforce such obligations would require the court to interpret and enforce the treaty. It was well established that it had no jurisdiction to do so (see *British Airways [1985] AC 58, 85-86*).

The assumption of jurisdiction would transgress the principle of law stated in *Secretary of State for India [1859] 13 Moo PCCC 22, 75*: "The transactions of independent states between each other are governed by other laws than those which municipal courts administer." In *Cook [1899] AC 572, 578* Lord Halsbury said that if there was a bargain between two sovereign powers it could only be enforced by sovereign against sovereign in the ordinary course of diplomatic pressure.

A winding-up order would put an end to the continued existence and operation of the ITC as provided by the treaties. Its powers over its assets in the UK would cease. The organisational and administrative machinery provided by ITA would be displaced. The powers of the ITC and its executive chairman, which included administration of the ITA, would become vested in the liquidator.

The conclusion was inescapable that the making of a winding-up order would be inconsistent with the ITA and would interfere with the continued activities of the ITC, its continued presence in the UK, its administration of the ITA, and whatever arrangements the member states might make to deal with the unforeseen situation which had arisen, and to contribute to or make good the shortfall.

If sovereign states chose to carry on a collective enterprise through the medium of an international organisation, one member state, could not assume the management of the enterprise by executive, legislative or judicial action and subject it to its own domestic law. For if one could, all could; and the independence and international character of the organisation would be fragmented and destroyed.

To impute to Parliament an intention, by general words only, to confer on the court a jurisdiction contrary to those principles and without precedent, was unacceptable. The court therefore had no jurisdiction to wind up the ITC.

Articles 8 of the Headquarters Agreement provided that the ITC should have "immunity from jurisdiction and execution." Paragraph 6(1) of the 1972 Order provided it should have "immunity from suit and legal process except . . . (c) in respect of the enforcement of an arbitration award."

The phrase "suit and legal process" corresponded with "jurisdiction and execution," and embraced all forms of adjudicative and enforcement jurisdiction, including the winding-up process. The question therefore was whether the winding-up petition was a proceeding "in respect of the enforcement of an arbitration award."

Far from enabling any judgment or award to be enforced, the making of a winding-up order prevented it. The purpose of a winding-up petition was to preclude creditors from enforcing judgments or awards, and to substitute the right to participate in a *pari passu* distribution.

Section 665 of the 1985 Act conferred no jurisdiction to make a compulsory winding-up order against the ITC—and in any case, paragraph 6(1) of the 1972 Order made the ITC immune from such jurisdiction.

The petition was struck out.

For the ITC: Robert Alexander QC, Richard Sykes QC, Nicholas Chambers QC; Professor Rosalyn Higgins QC, Peter Irvin and Leslie Kosmin (Cameron Markby)

For Amalgamated: Andrew Morritt QC, Elihu Lauterpacht QC, Sir Ian Sinclair QC, Dr Richard Plender and Patrick Howell (Allen & Overy)

For Kleinwort Benson: Stanley Burnton QC, Michael Crystal QC, Mark Barnes, Richard Sheldon and D. Lloyd - Jones (Slaughter & May)

For the government: Sir Maurice Bathurst QC, Anthony Grabiner QC, Nicholas Bratza QC and David Richards (Treasury Solicitor)

By Rachel Davies
Barrister

APPOINTMENTS

Information expert joins Midland Bank

Mr Gene Lockhart has been appointed chief executive, information technology, and a member of the group executive committee at MIDLAND BANK. He has functional responsibility for information technology throughout all group sectors, and chairs the group management services board. Mr Lockhart, a US citizen, came to London with Nolan Norton & Co as the firm's managing principal, Europe. He had responsibility for building the firm's European consulting practice, particularly in the field of strategic information technology, till 1982. For the next three years he was group director, management services, at C. T. Bowring & Co. He was responsible for guiding the firm's development and operation of systems to support insurance broking operations for all Bowring group companies. In 1985 he became a managing partner of the First Manhattan Consulting Group, where he advised a number of leading financial institutions, including Midland Bank, on systems and strategy. Commenting on the appointment, Sir Kit McMahon, Midland's group chief executive, said: "The effective management of information technology will be among the most important success factors for any financial institution over the years ahead. Midland will be giving increasing emphasis not only to the efficiency of its support systems but also to the development of new technology-led products and services."

★

Mr Charles Downing, Ms Juliet Jordan and Ms Penny Rome have been appointed to the board of VALIN POLLEN.

★

Dr Russell A. L. Miller has been appointed sales and marketing director of SMITH AND McLAURIN, a wholly-owned subsidiary of The James River Corporation of America.

★

Mr H. Van Gorkum has been appointed chairman of ZIPPERLE (UK), Bristol. Mr S. M. Low has been promoted to managing director while Mr R. Wong has been nominated financial director.

★

Mr Peter Wildgoose has been appointed sales director of MANN AND OVERTON, a company in the Manganese Bronze Holdings group. He was sales manager. He is also a director of Mann and Overton Finance.

Board posts at NatWest Stockbrokers

Mr John Plastow, a director and general manager of National Westminster Bank, has been appointed chairman of NATWEST STOCKBROKERS and Mr Neil Stapley becomes managing director. The board also comprises Mr David Bedford, Mr Malcolm Bennett, Mr Christopher Clayton, Mr Peter Dale, Mr John Daniel, Mr Gordon Huntly, Mr Godfrey Jillings, Mr Len Johnson, Mr Len Russell, Mr David Shaw, Mr David Sinclair, Mr Terry Stacy, Mr Jeremy Veasey, Mr Hugh Welchman and Mr Michael Wickham, subject, where appropriate, to Stock Exchange approval.

★

Mr Ron Watson has been appointed deputy chairman of HAMPTON TRUST. He was deputy managing director of Barclays Merchant Bank and is a director of Barclays Development Capital and National Freight Consortium.

★

Mr Brian D. Bush has been appointed deputy managing director of CHAPPELL MUSIC UK, and Intersong Music UK. He remains finance director.

★

Following discussions on future policy Mr F. P. Bushnell, finance director of CORAH, has accepted early retirement to pursue other interests. Mr John Hawksfield becomes finance director. He was finance director of Strong and Fisher (Holdings).

★

NEWS INTERNATIONAL has appointed as directors Mr Lyn Holloway, chief executive of Singapore Press Holdings from 1984 until 1986; Mr William O'Neill, managing director, London Post (Printers); Mr John Cowley and Mr Leon Hertz, joint general managers, News International.

★

MOORE STEPHENS has apointed Mr Richard Moore as managing partner of the London practice.

★

Mr Gordon Polsch joins THE BRITISH INSURANCE BROKERS' ASSOCIATION on February 1 as secretary and director of administration; and Mr Peter Atkinson becomes deputy secretary. Mr David Hough, secretary of the Lloyd's insurance brokers committee, becomes additionally director, London market international; and Ms Geraldine Wright has joined as deputy secretary, LIBC. From February 1, Mr John Bowis is designated director, public affairs and regions; Mr Ron Peters director UK technical and education; and Ms Jeanne Hindle director, financial services.

Changes at Watneys

WATNEY MANN & TRUMAN BREWERS has appointed Mr Roger A. Young as a group director and chairman of Phoenix Brewery, Manns Northampton Brewery and Norwich Brewery Co. He was managing director of Halls of Oxford. Mr Geoffrey W. Parsons also joins the board of Watney Mann & Truman Brewers. He is managing director of Watney Combe Reid & Truman.

★

BERKELEY GOVETT AND CO has appointed Mr W. J. R. Govett and Mr D. W. Makins, Mr D. K. Macfarlane and Mr Harold Hughes as directors. The appointments of Mr Govett and Mr Makins, respectively deputy chairman and managing director of John Govett and Co, complete arrangements agreed to at the time of the acquisition of John Govett and Co by Berkeley Govett and Co. Mr Macfarlane is managing director of James Hardie Industries and Mr Hughes is treasurer of Intel Corp.

★

Mr T. D. Cassick has been appointed a director of CLOSE BROTHERS.

★

SELECT COUNTRY HOTELS has appointed Mr Michael Halls as director of development. He joins from Trust House Forte.

★

Ms Anne Kane has been promoted to operations director of AIR CALL.

★

Mr Dom Gregson has been appointed managing director of ROBERMAP UK, a division of the Viking Packaging Group. He was chief executive.

★

W. S. ATKINS, civil, structural and transportation engineering division, has promoted Mr Tony Cellett and Mr David Howell to technical director.

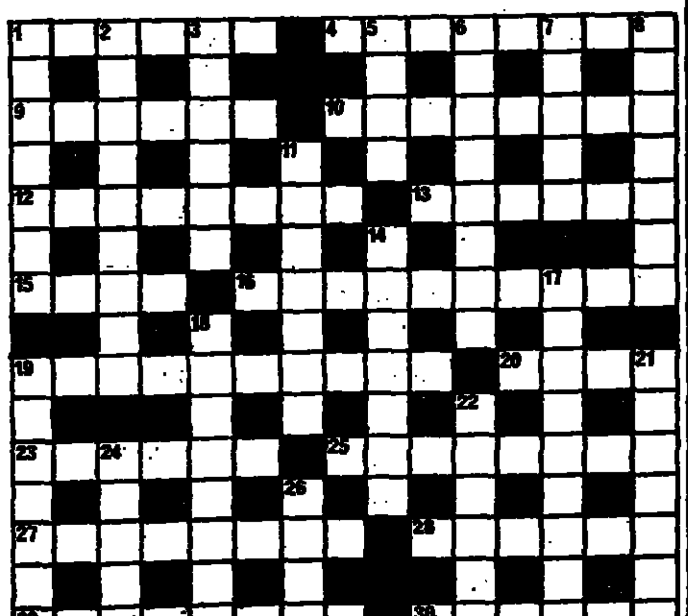
AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

FT CROSSWORD PUZZLE No. 6,237

PROTEUS



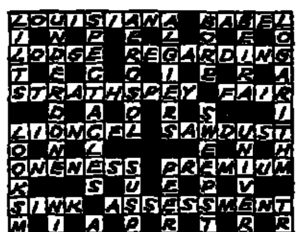
ACROSS

1 Noise made by bat (6)
4 Finished by having to vie with novice entry (8)
9 Craze or scar formed by exercise (6)
10 Switches engine on when taking girls out to dine (6,2)
12 Animal at tree height in battle for aerial supremacy (3-5)
13 Plasticine materials providing a form of entertainment (6)
15 Utensils overturned in game (4)
16 Style with a certain amount of self-restraint (10)
19 Shorts designed for hill-climbing? (6,4)
20 Pick out precise locality (4)
23 Hit out at industrial action (6)
25 Spy finding hidden clue in tiny particle (8)
27 Ancient costume not easy to get rid of (3,5)
28 Animals needing guides (6)
29 Pressing close to young bird (8)
30 Church officer cross about returned notes (6)

DOWN

1 Has a permanent place in Army teams? (7)
2 Actor angry perhaps about vehicle (4,5)
3 Wit shown by unorthodox priest (6)
5 Curse at band round hat (4)
6 Quiet workman becoming resistance fighter (8)
7 Measure with petition to follow (5)
8 Account for letter appearing to implicate one on plot (7)
11 Cast we hear is finished (7)
14 Spaniard returning thanks for inclusion as member of legislative body (7)
17 Indiscreet to give child coarse book (9)
18 Drink for bird-dog (8)
19 Instrument for singer with nothing on (7)
21 Head teacher with ground for crime (7)
22 Fixed support for bench (6)
24 Right time of month in Rome to take journeys? (5)
26 Intend we hear to take the air (4)

Solution to Puzzle No. 6,236



AUTHORISED UNIT TRUST & INSURANCES

Cannon Assurance Ltd
1 Olympic Way, Wembley HA9 0NB 01 902 8876

2nd Series Life Accumulation			
Equity	353 1	371 7	+2 5
High Income	307 8	320 4	+1 8
Property	216 6	229 2	
Managed	256 5	271 4	+0 4
Deposit	176 4	186 7	
Gilt	180 7	191 2	-0 7
American	256 8	271 7	-0 8
International Money	199 6	211 2	
Index	109 9	116 3	+0 1
Far East	209 0	221 2	+0 4
Global	104 2	110 3	-0 2
European	110 3	116 7	+0 4
Japan	113.3	119 9	-0.3
Residential Property	96 7	102 3	
2nd Series Pension Accumulation			
Equity	562 3	595 0	+4 6
High Income	360.2	381 2	+2.5
Property	304 1	321 8	
Managed	371.0	392.6	+0.9
Deposit	261 9	277 1	
Gilt	254 9	269 7	-1.0
American	403 4	426 9	-1.2
International Money	286.4	303.1	
Index	120 9	127 9	+0.2
Far East	230 9	244 3	+0 4
Global	106.8	113.0	-0.2
European	114 6	121.3	+0.7
Japan	118 4	125.3	-0.4
Residential Property	97 4	103.1	
Other Funds			
Equity Units		76.40	+0.95
Property Units		22.87	
Equity Bond/Exec	46.93	49.66	+0.59
Property Bond/Exec	30 90	32.70	
Balanced Bond/Exec	36.09	38.19	+0.06
L&E SIF 1	119.5	126.5	+0.5
L&E SIF 2	77.5	82.0	....

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	115.0	122.0	
Risk & Reward Bond	145 0 0153	151.0	
Murray Johnstone Fd	133.0	140.0	
Money Market Fd	110.0	116.0	
Investment Strategy Fd	98.0	104.0	
Predator Fd	95 0	100.0	
Ivory & Sime Pens Fd	119.0	125.0	
Risk & Reward Pens Fd	127.0	134 0	
Murray Johnstone Pens Fd	128.0	135.0	
Money Market Pens Fd	110.0	116.0	
Inv Strategy Pens Fnd	99.0	105.0	
Predator Pen Fd	95.0	100.0	

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Saxon Gate West, Cent Milton Keynes MK9 2LA

Current Series			
Property Fund	120.7	127.1	+0.0
Money Fund	229.1	241.2	+0.1
Managed Fund	432.6	455.4	+0.8
Equity Fund	278.3	293.0	+1.4
Fixed Interest Fund	149.2	157 1	-0.1
Far East Fund	227.0	239 0	+0.8
North American Fund	171.6	180.7	-0.8
Natural Resources Fund	165.3	174.0	+1.3
Pension Managed Fund	405.1	426.5	+2.3
Pension Equity Fund	271.8	286.2	+2.7
Adventurous Mngd Fd	144.6	152.3	
Balanced Mngd Fd	139.3	146.7	
Conservative Mngd Fd	138.5	145.8	
European Fund	121.0	127.4	
International Fund	134.7	141.9	
G.U.N. Flexible Fd	137.3	144.6	-1.4

For other prices please telephone 0908 606101/660088

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds			
Mixed	143.4	151.0	-0.1
Equity	164 5	173.2	+0.3
Property	112.7	118.7	+0.1
Gilt & Fixed Interest	114.8	120.9	+0.1
Indexed Securities	100.1	105.4	-0.3
Cash	109.6	115.4	
North American	115.9	122.1	-1.9
Far East	138.1	145.4	+0.8
International	134.3	141.4	-0.5
Special Situations	156.3	164.8	-1.1
International Income	152.3	160 4	-1.3
American Income	123.7	130.3	-2.1
European	162.2	170.8	+0.8
Flexible Retirement Plan			
Mixed	147.8	155 6	-0.6
Equity	156.6	164 9	-0.7
Property	117.3	123.5	
Gilt & Fixed Interest	121.9	128.4	+0.2
Indexed Linked	103.1	108.6	-0.4
Cash	118.7	125.0	+0.1
North American	123.6	130.2	-2.6
Far East	159.4	167.8	+1.2

[illegible]

Devonshire Life—Contd.

Money	100 5	105 9	+0 1
Pen Managed	130 7	137 3	+1 1
Pen World Growth	107 1	107 6	
Pen UK Equity	141 3	148 9	+2 4
Pen UK Small Co	130 8	137 8	+0 7
Pen European	106 2	111 9	-1 2
Pen Far Eastern	213 0	224 3	+0 9
Pen Nth American	93 3	98 3	-1 4
Pen Fixed Interest	110 1	116 0	+0 2
Pen Index Lnkd Stks	101 5	106 9	+0 4
Pen Money	105 1	110 7	+0 1

Eagle Star Insurance Co Ltd
Bath Road, Cheltenham GL53 7LQ 0242 521311

Secure Fund	104.3	109 8	+0 1
Blue Chip Fund	130.7	137 6	-0.1
Performance Fund	157 7	166.1	-0.4
Adventurous Fund	153.5	161.6	-0.5
Pension Secure	95.5	100.6	+0 1
Pension Blue Chip	99 9	105.2	-0.2
Pension Performance	101.1	106.5	-0.3
Pension Adventurous	101.9	107.3	-0 4
Pension With Profits	98.4	103.6	-0.1

Eagle Star Insur./Midland Assur.
1 Threadneedle St, London EC2 01-588 1212

Eagle/Mid. Units	171.9	178.2	-0.2	4.21

Equitable Life Assurance Society
4 Coleman Street, London EC2R 5AP 01-606 6611

Far Eastern	178.6	188.0	+0.4
Fd of Inv Tsts	148.5	156.3	-0 1
Gilt & Fixed Int	116.4	122.5	+0.1
High Income	163 4	172.1	-0.5
Intnl Growth	111.1	116.9	-1.0
Managed	135.2	142.3	-0.1
Money	109.1	114.8	..
North American	123.1	129.6	-1.4
Pelican	152.3	160.3	-0.1
Property	107.5	113.2	
Special Sits	157.2	165.5	
School Fee Managed	148.2	156.0	-0.3
Pension Funds			
Far Eastern	204.4	215.2	+0.6
Fd. of Inv. Tsts	163.8	172.4	-0.2
Gilt & Fixed Int	120.8	127.2	
High Income	186.8	196.6	-0.7
International Growth	114.6	120.6	-1.4
Managed	148.2	156.0	-0.3
Money	118.8	125.0	+0.1
North American	128.5	135.3	-1.8
Pelican	169.5	178.4	-0.2
Property	107.5	113.2	
Special Sit	176.0	185.3	

Equity & Law
Amersham Road, High Wycombe 0494 33377

UK Equities Fund	461.2	485 4	-1.8
Higher Inc. Fund	449.8	473.4	-0.9
Property Fund	265.4	279.3	
Fixed Interest Fund	235.7	248.1	+0.7
Index Lnkd Secs Fund	105.2	110.7	-0.2
Gtd. Deposit Fund	178.6	187.9	
Nth. America Fund	248.0	261.0	-2.9
Far East Fund	294.5	309.9	-0.4
Europe Fund	235.3	247.6	+0.3
International Fund	298.3	314 0	-1.3
Mixed Fund	356.5	375.2	-0.7
Ind. Pen Equity (z)	568.9	598.8	+3.6
Ind. Pen. High Inc (z)	132.3	139.2	+1.1
Ind. Pen. Fxd Int. (z)	261.8	275.5	-1.8
Ind. Pen.Idx.Lk.Scs.(z)	126.9	133.5	+0.3
Ind. Pen. Property (z)	216.1	227.4	
Ind Pen N America (z)	107.8	113.4	-0.1
Ind Pen Far East (z)	161.4	169.8	+0.9
Ind. Pen European (z)	131.0	137.8	+0.4
Ind. Pen. Overseas (z)	529.3	557 1	+2.6
Ind. Pen. Balanced (z)	383.1	403.2	+1.0
Ind. Pen. Cash (z)	214.1	225.3	
Ind Pen DAF Ser 2(z)	214.1	135.7	
Ind Pen DAF Ser 1(z)	228.8	240.8	

FS Assurance Limited
190 West George St, Glasgow G2 2PA. 041-332 6462

Pens Balncd Gilt Fd Cp	25.3	26.9	
Pens Balncd Gilt Fd Ac	25.6	27.2	
Cash Deposit Cap	23.7	25.1	
Cash Deposit Accum	23.8	25.2	

Family Assurance Society
19 New Rd, Brighton BN1 1WS 0273 724570

Family A. Managed	383.2	901.1	
Family B. Managed	233.0	237.8	
Family C. Brit.	209.4	211.7	
Family D. Fixed Int.	194.7	198.7	
Family Capital Mngd.	217.3	221.7	
Family Brit. II	126.4	128.9	

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Growth & Sec. Life Assce. Soc. Ltd
23 Bolnore Rd, Haywards Heath, W Sussex 0444 413307

Flexible Finance	176.35	
Landbank Secs	67 62	
Landbank Secs. Acc.	235.02	229 15
G & S Super Fd.	13.1530	

Guardian Royal Exchange
Royal Exchange, EC3 01-283 7101

Guardian Assurance			
Property Bonds	401 6	418.3	
GRE Linked Life Assurance Ltd			
Managed Initial	330.3	347.7	-4.4
Do. Accum.	394 7	415.5	-5.2
Equity Initial	433.7	456.5	-4 9
Do Accum.	518.3	545.6	-5.7
Fixed Int. Initial	239 4	252 0	-2.7
Do. Accum.	286.1	301.2	-3.1
Intnl. Initial	391.5	412.2	+2.5
Do. Accum.	467.9	492.6	+3.1
North American Initial	146.7	154 5	+0.7
Do. Accum.	159.6	168 0	+0.8
Pacific Initial	218.7	230.2	+1.9
Do. Accum.	235.6	248.0	+2.1
European Initial	101.1	106 4	+1.1
Do. Accum.	101.6	106.9	+1.1
Property Initial	140.1	147.5	
Do Accum.	167.2	176.0	
Index-Linked Gilt Init.	98.1	103.3	+0.1
Do. Accum.	106.7	112.3	+0.1
Deposit Initial	139.7	147.1	+0.1
Deposit Accum.	167.0	175.8	+0.1
GRE Pensions Management Ltd			
Pens. Managed Initial	362.9	382.0	-4.6
Pens. Managed Acc.	423.9	446.2	-5.3
Pens. Equity Initial	504.2	530.7	-4.6
Pens. Equity Acc.	588.9	619.9	-5.3
Pens. Fxd. Int. Initial	271.1	285.3	-0.4
Pens. Fixed Int. Acc.	316.7	333.3	-0.4
Pens. Int'l Initial	377.6	397.4	-0.4
Pens. Int'l. Acc.	441.1	464 4	-0.4
Pens. Prp. Initial	161.0	169.5	
Pens. Prp. Acc.	187.8	197.7	
Pens. Ind-Lkd. Gt. In.	114.1	120.1	
Pens. Ind-Lkd. Gt.Ac.	124.1	130.6	
Pens. Dep. Initial	181.5	191.1	
Pens. Dep. Acc.	212.0	223.2	

Hearts of Oak Benefit Society
129 Kingsway, London WC2B 6NF 01-404 0393

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Liberty Life Assurance Co Ltd
Station Rd, New Barnet 01-440 8210

Sel Sec A	33.2	35.0
Managed	27.3	28.8
Equity	21.5	22.7
Blue Chip	30.4	32.0
Special Sits	30.2	31 8
International	38.9	41.0
American	25.4	26.8
Pacific	34.4	36.3
Property	24.7	26.0
Fixed Yield	22.2	23.4
Int Currency	17.4	18.4
Deposit	18.3	19.3

London A'deen & Nthn. Mtl. Assur. Ltd
129 Kingsway, London WC2B 6NF 01-404 0393

'Asset Builder'	104.0	110.5

London Indemnity & Gnl. Ins. Co Ltd
18-20 The Forbury, Reading 583511

Money Mgr Jan 15	116.5	125.0
MM Flexible Jan 6	91.27	97.7

London Life
100 Temple St, Bristol BS1 6EA 0272-279179

Assurances		
Equity	479.2	
Fixed Int.	218.8	
Property	240.7	+0.7
Deposit	174.5	
Mixed	328.1	
Index Stock	120.8	
International	176.9	
Assurances—Series A		
Equity (A)	112.5	
Fixed Interest (A)	98.2	
Property (A)	107.1	
Deposit (A)	103.7	
Mixed (A)	108.5	
Index Stock (A)	98.7	
International (A)	111.9	
Pensions		
Equity (P)	394.8	
Fixed Int.(P)	207.8	
Property (P)	186.2	
Deposits (P)	168.4	
Mixed (P)	284.4	
Index Stock (P)	133.3	

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INSURANCE, OVERSEAS & MONEY FUNDS

Target Life Assurance Co. Ltd.
Target House, Gatehouse Road, Aylesbury, Bucks
Aylesbury (0296) 394000

Managed	413.4	435.2	-0.6	
Property	261.9	275.7		
Fixed Int	160.1	168.6	+0.2	
UK Equity	483.5	509.0	-1.1	
Int. Equity	337.0	354.8	-2.6	
Deposit	157.9	166.3	+0.1	
Managed Property	228.2	240.3	-1.5	
American Eagle	113.2	119.2	-1.5	
Technology	100.7	106.0	-1.2	
Worldwide Income	176.3	185.6	-1.1	
Pacific	176.4	185.7	-1.2	
Australian	91.5			—
Japan	291.2	306.6	-5.9	—
Commodity	106.4	112.0	-0.5	—
Gold	135.1	142.3	-0.3	—
Financial	203.3	214.1	-0.5	—
Income	233.6	245.9	+0.1	—
Special Situations	215.9	227.3	+0.1	—
Preference	137.1	144.4		—
Managed Currency	96.8	101.9		—
European Spec. Sits.	203.0	213.7	-0.6	—
Sterling	110.3			—
Residential Property	98.6	103.8	+0.1	—
Pension Funds				
Managed Pension	1,296.2	1,301.2	-3.5	—
Gilt Pens.	350.8	369.3	-0.5	—
Property Pens.	655.3	689.8	+0.6	—
Equity Pens.	590.6	621.7	-7.7	—
Index-L Pens.	124.9	151.5	+0.1	—

The Portchester Group
91 Wimpole Street, London W1M 7DA 01-493 9090
Portchester Managed Funds

Albany (z)	118.3	124.6	+0.7	
Carnhill (z)	105.5	111.5		
Irish Life (z)	110.1	116.0		
Royal Heritage (z)	102.2	107.6		
Schroder (z)	98.6	103.7	+0.2	
Skandia (z)	119.7	125.9		
Target (z)	120.2	126.6		
Tyndall (z)	115.3	121.4	+0.4	
Portchester Managed Pension Funds				
Albany (z)	129.3	136.1	+1.1	—
Schroder (z)	99.0	104.2	+0.1	—
Skandia (z)	125.4	132.0		—
Target (z)	110.5	116.4		—

Managed by Portchester Securities Limited

Sharp (Albert E.) & Co
12 Newhall Street, Birmingham B3 3ER 021-236 5801

Non-Clerical Med	114.5	120.4	+0.1	—
Pens. Man-Schroder	468.7	493.3	+0.9	—

Towry Law & Co
57 High St, Windsor, SL4 1LX 0753-868244

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

Money Market Trust Funds

Money Market Bank Accounts

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733

Special Acc.	10.00	7.48	10.98	Mth
Over £10,000	10.25	7.66	11.17	Mth

Western Trust & Savings Limited
The Moneycentre, Plymouth PL1 1SE 0752 224141

High Int Chq Acc.	11.13	8.32	12.08	Qtr

Wimbledon & South West Finance Co Ltd
114 Newgate St, London EC1A 7AE 01-606 9485

High Int Cheque Acc.	11.25	8.41	12.23	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Eqvln CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase, xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	27	NEI	8
Amstrad	15	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp.	28	Plessey	16
BSR	11	Polly Peck	16
BTR	26	Racal Elect	15
Babcock	16	RHM	24
Barclays	42	Rank Org Ord	45
Beecham	40	Reed Intnl	25
Blue Circle	55	STC	13
Boots	22	Sears	12
Bowaters	32	TI	40
Brit Aerospace	42	TSB	8
Brit. Telecom	17	Tesco	36
Burton Ord	26	Thorn EMI	42
Cadburys	17	Trust Houses	15
Charter Cons	24	Turner Newall	18
Comm Union	28	Unilever	140
Courtaulds	26	Vickers	36
FNFC	17	Wellcome	17
Gen Accident	75	**Property**	
Gen Electric	15	Brit Land	16
Glaxo	85	Land Securities	30
Grand Met	40	MEPC	32
GUS 'A'	85	Peachey	24
Guardian	75	**Oils**	
GKN	24	BOM	3½
Hanson Tst.	18	Brit Petroleum	50
Hawker Sidd.	42	Burmah Oil	32
ICI	75	Charterhall	4
Jaguar	42	Premier	3½
Ladbroke	32	Shell	65
Legal & Gen	20	Tricentrol	8
Lex Service	32	Ultramar	17
Lloyds Bank	38	**Mines**	
Lucas Inds	46		
Marks & Spencer	18	Cons Gold	62
Midland Bk	48	Lonrho	22
Morgan Grenfell	26	Rio T Zinc	62

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Sugar climbs to 8-month high

BY ANDREW GOWERS

THE RECENT rise in world sugar prices continued yesterday amid reports of a New Year's buying spree by the Soviet Union and growing evidence of tightness in supplies from Brazil, the biggest single free-market exporter.

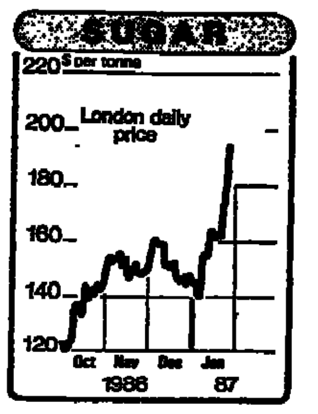
On the London futures market, sugar for March delivery rose to fresh eight-month highs of $185 per tonne before dropping back in afternoon trading. In New York, March sugar was quoted around 8.08 cents per lb at the mid-session. The London daily price (LDP) for raw sugar, meanwhile, climbed to $195 per tonne.

Sugar brokers in London and elsewhere are again talking of a possible bull run in a market which turned out to be extremely dull and disappointing in 1986—although some have been taken by surprise in recent days by the speed with which their predictions of rising prices have come true. The LDP is now more than $30 higher than it was just a week ago.

Three main factors have spurred the market on:

● The Soviet Union — absent from the world market for much of the last quarter of 1986—has returned as a major purchaser. Traders say Moscow has bought between 500,000 and 750,000 tonnes in recent weeks, and it is assumed to need a total of up to 1m tonnes this year to supplement its domestic beet production and the cane sugar it normally buys under special counter-trade arrangements from Cuba. Sugar demand in the USSR is said to be buoyant, partly as a result of booming soft drink sales in the face of tight restrictions on alcohol use.

The Soviet buying was not in itself a surprise, but the reappearance of such a large purchaser was bound to give the market a fillip—especially at a time when traders have been concentrating on sharply reduced buying by another big importer, the US.



● Expectations that Brazil will find it difficult to meet export commitments this year were confirmed yesterday, when the country's Sugar and Alcohol Institute (IAA) asked traders to submit proposals for rolling forward some of its export contracts. The Institute is believed to have export commitments of more than 2m tonnes for the sugar year beginning in June, but it is looking for ways of cancelling or rolling forward contracts covering delivery months between April and December.

The supply squeeze stems from the combination of drought damage to the 1986-87 crop, which has sharply reduced alcohol production from sugar cane in the key central and southern states, and booming domestic demand for sugar and alcohol as a result of the Government's so-called Cruzado programme.

● The market is also feeling the impact of poor production prospects in Cuba, the world's biggest cane producer. Last season's Cuban crop was hit by drought and by Hurricane Kate, and yielded little more than 7m tonnes against normal output of 8m or more.

Australia's Perth Mint to expand gold refining capacity

BY STEFAN WAGSTYL, RECENTLY IN PERTH

THE PERTH Mint in Western Australia is planning to expand capacity by building two new refineries at a cost of A$15m (£6.4m).

The proposed refineries at Perth International Airport and in Kalgoorlie, the gold mining town, will replace the existing refinery which dates back to 1899 and the start of the state's gold industry.

The decision follows the rapid expansion of Australian gold output from under 20 tonnes a year in the early 1980s to more than 70 tonnes last year and a forecast 100 tonnes in 1988. The airport refinery is to have an annual capacity of 100-150 tonnes, and the Kalgoorlie plant a capacity of 30 tonnes.

The moves also reflect the ambitious plans of GoldCorp Australia, which controls the mint, to expand its promotional activities, in particular the marketing of its bullion gold coin, the Nugget, which is due to be issued in April.

GoldCorp Australia is a unit of the state-run Western Australia Development Corporation which has hired a number of former employees of Intergold, the now-defunct marketing arm of the South African Chamber of Mines. Among them is Intergold's chief executive, Mr Don Mackay-Coghill, who has been appointed GoldCorp Australia's chief executive officer.

Mr Mackay-Coghill outlined plans last week which include the possible manufacture of jewellery and semi-fabricated goods and the opening of gold shops in Perth and elsewhere in Australia.

Initially, however, the main thrust of the marketing activity will be on promoting the Nugget.

GoldCorp Australia plans to sell the coin at prices based on the spot price of gold in the market—unlike the South African Krugerrand which was sold at prices changed twice daily on the basis of the morning and afternoon gold fix in London.

In order to do this, GoldCorp Australia plans to trade gold in the market so as to protect itself against adverse price swings. This is an unusual move for a public body, other than a central bank.

Mr Mackay-Coghill said that later GoldCorp Australia might develop a fully-fledged trading operation. The organisation is supported by a 200,000 ounce gold loan from the Reserve Bank of Australia.

Proof sets of Nugget coins were sold to collectors in September. The issue of mass-circulation bullion coins, which will be sold at a 3 per cent premium to the gold price, has been delayed by technical problems at the mint. Mr Nigel Desebrock, another ex-Intergold employee who is in charge of marketing the Nugget, said the aim in the first year was to sell 300,000 ounces of coins, which come in one-ounce, half-ounce, quarter-ounce and tenth-ounce sizes.

The 6m-ounces-a-year coin market has been dominated by the Canadian Maple Leaf, since Intergold was forced to stop issuing Krugerrands in the face of import bans in the US an elsewhere, inspired by anti apartheid sentiment.

Kambalda, A 1970s nickel boom town in Western Australia, which was plunged into recession after 1980 by a fall in nickel prices, has won a new lease of life as a gold producer, writes Stefan Wagsty.

Western Mining, one of Australia's largest mining groups, has opened five open-pit gold mines in the area in the last six years and is considering starting more — including one in the middle of a salt lake.

Gold output at Kambalda has risen from 25,000 ounces produced as a by-product of nickel to a planned 130,000 ounces in the current financial year ending in June.

Mr Phil Lockyer, resident manager at Kambalda, which lies some 40 miles southwest of Kalgoorlie, said the company would have been forced to pull out from Kambalda without the profits from gold. The town, with some 5,000 people, would have ceased to exist, he said.

Western Mining built Kambalda after discovering nickel in the mid-1960s.

Western Mining is Australia's largest gold producer, accounting for 632,000 ounces in the year to last June, or nearly one-third of the national total.

UK-Saudi energy talks 'amiable'

BY LUCY KELLAWAY

MR HISHAM NAZER, the new Saudi Arabian oil minister yesterday called on Mr Alick Buchanan-Smith, the UK Energy Minister, for an exchange of views on energy policy.

Mr Buchanan-Smith reiterated the Government's position which rules out any reduction in oil production in the interests of supporting prices. The meeting lasted for half an hour and was reported to have been amiable.

Britain has become increasingly isolated among the non-Opec members, most of which have received a visit from Mr Nazer during the past fortnight. He has been rallying support for Opec's production cuts and its shift to fixed oil prices.

Norway, Oman and the USSR have all announced production cuts while Egypt, which has already reduced its production has said that it will attempt to make further cuts.

As Opec prepares itself for the new fixed prices, which come into effect from Sunday, prices on the market have weakened about 50 cents from recent highs. In London the price of Brent crude yesterday slipped by about 10 cents to $18.20 a barrel for delivery in March. However, traders said that the market was "unnaturally quiet" and almost no business was done.

● Iraqi oil exports through the Saudi Arabian pipeline will continue to be restricted to 250,000 barrels a day during February, up to half the output the Iraqis had been expecting, according to the Middle East Economic Survey.

The reduction from Iran's target figure of 500,000 a day had occurred while work on expanding the pipeline was being carried out. This work has now been completed, but the Saudis say that the new restriction is necessary while new repair work at one of the pipeline's pump stations takes place.

Why Britain's cereal growers are feeling hard done by

FARMER'S VIEWPOINT
By John Cherrington

WHATEVER THE EEC does next to tackle its cereal surplus—and the Commission's price proposals are expected to be finalised shortly—it is bound to have a particular effect on the sterling returns of British farmers, which are already suffering by comparison with some of their Continental counterparts' earnings.

The price I am receiving for feed wheat and barley ex-farm, for example, is about £112 per tonne. In West Germany, by contrast, farmers get about £150, in the Netherlands £138 and in France £140. Far from taking their place in a real common market, these prices are kept strictly apart by the system of green currencies; the gaps between them are bridged for the purposes of trade by the levying or payment of monetary compensatory amounts (MCAs).

Without the MCA distortion, I could export my grain to West Germany with a very good margin of nearly £40 a tonne. In the event, the MCA levy this week amounts to £37.65, which has cut the profit back to a matter of pence and makes intra-Community trade much less attractive.

Every now and then there are cries of anger from groups of farmers who feel they are missing out on the advantages gained by their Continental rivals and demands for action to put the matter right—usually by devaluing the green pound, and so raising the sterling price.

As an arable farmer I would certainly welcome such a move. On my last year's wheat yield of just over 3 tonnes an acre it would mean extra income of about £110 an acre, much of which would be clear profit.

The Netherlands benefits to the same extent as West Germany on cereal MCAs, and then comes France, a fair way down the scale. Even so a French farmer receives a good £20 per tonne more than I do for the same grain. I doubt if French or West German costs are much higher than they are in the UK.

One might expect that Britain's National Farmers' Union would be leading the fight to have this manifest injustice put right. But although the NFU has admitted the disparity it is not making much noise about it. It is true that fuss was made for the devaluation of the green pound for beef but here the politics of farming come into play.

It is popularly supposed that cereal growers are the fat cats of farming.

And even here, different countries have not fared equally. The highly efficient Dutch livestock industry, for example, depends on large amounts of cheap imported cereal substitutes, imported on preferential duty terms from countries like Thailand. One should not grudge it to the Dutch, who—in the absence of much decent arable land—took the fullest advantage of an evolving pattern of trade.

The irony of it all is that the UK used to be a very large user of imported feed, particularly grain, but we failed to see how the high Community cereal prices would alter the pattern of feed use. That is one explanation for the development of a particularly large grain mountain in the UK.

UK asks court to strike out tin debt claim

By Raymond Hughes, Law Courts Correspondent

THE UK Government has taken the first steps towards trying to frustrate attempts to make it and the other 21 member states of the insolvent International Tin Council pay the ITC's debts, which total several hundred million pounds.

The Department of Trade and Industry has issued High Court proceedings to strike out a £15m claim by J. H. Rayner (Mincing Lane), a London metal trading subsidiary of S. & W. Berisford, the commodities group, against the member states.

The case is expected to be heard some time after Easter when the department will argue two grounds for striking out:

● That the English court has no jurisdiction to hear the claim—and that, even if it did, it would not exercise it because to do so would involve the court ruling on matters arising out of an international treaty.

● That Rayner's claim is "frivolous, vexatious and an abuse of the process of the court" in that it discloses no cause of action against the UK because the member states are not liable for the ITC's debts.

A similar application is to be made over a claim by another Berisford company, Berisford Metals Corporation, a New York subsidiary, claiming more than £5m for tin trading losses.

By the time the two applications—which may be heard together — come before the court it is likely that the other 21 member states will have joined in the striking out pleas, arguing that they have sovereign immunity.

The Rayners and Berisford Metals claims were the first so-called "direct actions" by ITC creeditors against the member states.

Since then other brokers and half a dozen banks have launched similar claims. A UK Government decision to ask the courts to strike out those claims also on the same grounds is imminent.

● No final decision has yet been taken by Amalgamated Metal Trading, the London Metal Exchange trader, about whether it will appeal against last week's High Court ruling striking out AMT's winding-up petition against the ITC. The company will be considering the matter with its lawyers this week.

Mr Justice Millett ruled that the ITC was immune from the court's winding-up jurisdiction. He gave AMT leave to appeal and the expectation is that the case will go all the way to the Lords for a final ruling.

Surinam refining Dominican bauxite

By Canute James in Kingston, Jamaica

THE SURINAM Aluminium Company (Suralco) has started importing bauxite ore from the Dominican Republic to keep its 1.4m-tonne per year refinery operating. The company's local ore supplies have been reduced since November when attacks by anti-Government rebels closed mines in the town of Moengo which supply half the refinery's feedstock.

Company officials said the refinery was operating near to rated capacity, and they wanted to keep it going. They said the mines were still unsafe, and that about 500 miners had been suspended this week.

If stockpiles in the Dominican Republic were exhausted before the Moengo mines were reopened, they said, ore would be imported from other sources.

The closure of the Moengo mines has cost the company $2m since November. Suralco reported losses of $14.6m in 1984 and $19m in 1985, but no figures are available for 1986.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending last Friday)
(tonnes)

Aluminium	−6,150 to 115,250
Copper	−1,325 to 174,350
Lead	+9,125 to 42,150
Nickel	+30 to 6,576
Tin	−390 to 36,225
Zinc	+1,525 to 24,975
(ounces)	
Silver	+260,000 to 23,282,000

LONDON MARKETS

AFTER a slow start copper prices on the London Metal Exchange ended the day on a firm note. With sterling showing renewed strength against the dollar the three months position traded down to a 4-month low early on but then recovered, helped by news of a fall in LME warehouse stocks last week and sterling's retreat, to close £4 up from Friday's close at £900.75 a tonne. Particular strength was noted in the cash position, which ended £13.25 higher at £888 a tonne. In spite of an unexpectedly sharp rise in LME stocks lead prices held steady following last week's heavy falls. Dealers said there was underlying trade support for the metal and also some speculative short-covering. Nearby coffee prices eased back in quiet trading after profit-taking halted an early advance. But traders said news that Brazilian export registrations for January-March delivery had reached 2.6m bags helped to support the market.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	768-70	+3.5	—
3 months	781-2	+2	783/780

COPPER

LEAD

NICKEL

ZINC

GOLD

SILVER

SOYABEAN MEAL

INDICES

REUTERS

DOW JONES

MAIN PRICE CHANGES

COFFEE

COCOA

POTATOES

GRAINS

OIL

GAS OIL FUTURES

HEAVY FUEL OIL

COTTON

MEAT

RUBBER

SUGAR

TEA

FREIGHT FUTURES

US MARKETS

EARLY commission house buying in April gold futures coupled with local buying in February (against selling April) saw the market open steady, reports Drexel Burnham Lambert. However, trade selling on a scale-up basis prompted a sell-off before the trade turned buyer to steady prices before the close. The energy futures were quiet with little significant participation by major traders. The crude oil market was dominated by the locals, although good support emerged when the market hit the lows. Local trade and commission house buying in platinum was sufficient to steady prices in the face of profit-taking. Despite reports of continued buying by the USSR, sugar futures suffered a major setback as early support disappeared, prompting general long liquidation and stop-loss selling. However, trade support was evident as the market declined and this prompted a rally back to the highs. Commission house selling and long liquidation in cocoa futures depressed prices in the face of light industry support following a weaker-than-expected opening. Grains were lacklustre, with wheat firming on anticipation of tenders under the US support programme.

NEW YORK

CHICAGO

FOREIGN EXCHANGES

Bundesbank supports dollar

THE DOLLAR finished slightly weaker on the day, but recovered from its early lows, notably against the D-mark following intervention to support the US currency by the West German Bundesbank at the Frankfurt fixing.

Sentiment surrounding the dollar remained depressed, ahead of Friday's US trade figures, but dealers were nervous about a possible meeting of Group of Five ministers in Paris on February 7.

The market paid little attention to comments by Japanese officials. Mr Kiichi Miyazawa, Finance Minister, said at the weekend that the US and Japan have agreed there should be an early G5 meeting, while Mr Yasuhiro Nakasone, Japanese Prime Minister, told parliament Japan will make efforts to see exchange rates are stable.

Mr Satoshi Sumita, Governor of the Bank of Japan, refused to admit the central bank is about to cut its discount rate, but dealers confidently expect a reduction in the 3 per cent rate some time this week.

It has been estimated the Japanese trade surplus with the US was $50bn in 1986, and the market expects protectionist forces in the US to receive further ammunition from the December US trade deficit, which it as feared may exceed $20bn.

The dollar fell to DM 1.8230 from DM 1.8255; to FFr 6.0825 from FFr 6.0950; to SFr 1.5315 from SFr 1.5370; and to Y152.65 from Y153.05.

On Bank of England figures the dollar's index was unchaged at 104.3.

STERLING—Trading range against the dollar in 1986-87 is 1.5555 to 1.3700. December average 1.4387. Exchange rate index closed unchanged at 68.9, after opening at 69.2. Six months ago the index was 73.9

Sterling opened very firm following the weekend opinion poll showing the Conservatives in a comfortable lead, and countering last week's poll indicating the Labour Party ahead. But the market was sceptical about the accuracy of opinion polls, because of the large swings seen recently. The next test for the pound is expected tomorrow, when the December UK trade figures are announced. A small current account deficit of about £100m has been generally forecast. Sterling gained ½ cent to $1.5275-1.5285, and also rose to DM 2.7850 from DM 2.78; to FFr 9.2950 from FFr 9.2825; and to Y233.25 from Y233, but was unchanged at SFr 2.34, finishing well below the early morning peaks.

D-MARK—Trading range against the dollar in 1986-87 is 2.4710 to 1.8120. December average 1.9886. Exchange rate index 148.4 against 136.9 six months ago.

The D-Mark finished little changed against the dollar, after the Bundesbank intervened at the Frankfurt fixing. Dealers said the action by the central bank was not aggressive, but was a sign that a further depreciation of the dollar was not welcome. Others suggested the Bundesbank might step in strongly if the dollar fell below DM 1.81. At the fixing the Bundesbank bought $22.9m as the dollar rose to DM 1.8176 from DM 1.8151. The result of the West German elections, when Chancellor Helmut Kohl's centre-Right coalition was returned, but with a reduced majority, had virtually no effect on trading.

UGANDA SHILLING—In Kampala President Yoweri Museveni, said his Government might devalue the shilling, which sells on the black market for up to 10,000 shillings per dollar, compared with an official rate of 1,400. Another official ruled out a major devaluation, but said the shilling will be replaced with a new currency, to be called the crane, worth 100 shillings. At the official rate this will leave the new currency at 14 to the dollar, bringing it in line with the Kenyan shilling which trades at around 16 to the dollar.

£ IN NEW YORK

Jan 26	Latest	Previous Close
£ Spot	1.5275-1.5285	1.5260-1.5270
1 month	0.56-0.53 pm	0.65-0.64 pm
3 months	1.79-1.74 pm	1.79-1.76 pm
12 months	6.35-6.25 pm	6.27-6.17 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Jan. 26	Previous
8.30 am	69.3	68.5
9.00 am	69.2	68.6
10.00 am	69.2	68.6
11.00 am	69.1	68.9
Noon	69.0	68.8
1.00 pm	69.0	68.8
2.00 pm	69.0	68.9
3.00 pm	68.9	69.9
4.00 pm	68.9	69.9

CURRENCY RATES

Jan. 26	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	N/A	0.740423
U.S. Dollar	5.5	*	1.13026
Canadian $	8.20	*	1.53342
Austrian Sch.	4	N/A	14.5046
Belgian Franc	8½	*	42.7943
Danish Krone	7	*	7.80725
Deutsche Mark	3½	*	2.06215
Neth. Guilder	4½	*	2.32528
French Franc	9½	*	6.88439
Italian Lira	12	*	1466.23
Japanese Yen	3.0	*	172.534
Norway Krone	8	*	7.99035
Spanish Peseta	—	*	145.351
Swedish Krona	7½	*	7.37379
Swiss Franc	4	*	1.72929
Greek Drach.	20½	*	150.019
Irish Punt	—	*	0.777022

*CS/SDR rate for Jan. 21: 1.70202

CURRENCY MOVEMENTS

January 26	Bank of England Index	Morgan Guaranty Changes %
Sterling	68.9	−25.1
U.S. Dollar	104.3	−2.8
Canadian Dollar	77.2	−11.6
Austrian Schilling	139.3	+10.7
Belgian Franc	100.6	−3.7
Danish Krone	93.8	+4.6
Deutsche Mark	148.4	+22.7
Swiss Franc	172.1	+22.1
Guilder	135.8	+15.2
French Franc	72.2	−12.2
Lira	48.6	−16.0
Yen	210.5	+57.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Jan. 26	£	$
Argentina	1.9865-1.9940	1.3030-1.3070
Australia	2.2980-2.3010	1.5050-1.5065
Brazil	24.38-24.52	15.99-16.07
Finland	6.9525-6.9720	4.5700-4.5720
Greece	202.19-202.45	131.68-133.88
Hong Kong	11.6190-11.6270	7.7660-7.7680
Iran	111.00*	72.10*
Korea (Sth)	1303.70-1315.50	854.40-861.40
Kuwait	0.42295-0.43015	0.28185-0.28205
Luxembourg	57.70-57.80	37.75-37.85
Malaysia	3.9135-3.9225	2.5495-2.5515
N. Zealand	2.8020-2.8100	1.8350-1.8380
Saudi Ar.	5.7140-5.7195	3.7495-3.7505
Singapore	3.2795-3.2850	2.1380-2.1400
S. Af. (Cm)	3.1515-3.1665	2.0640-2.0685
S. Af. (Fn)	6.9480-7.2785	4.5455-4.7620
Taiwan	53.40-53.70	35.05-35.15
U.A.E.	5.5960-5.6015	3.6720-3.6730

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu January 26	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.7943	+0.79	+0.78	±1.5344
Danish Krone	7.85212	7.80725	−0.57	−0.58	±1.6404
German D-Mark	2.05853	2.06215	+0.18	+0.17	±1.0981
French Franc	6.90403	6.88439	−0.28	−0.29	±1.3674
Dutch Guilder	2.31943	2.32528	+0.25	+0.24	±1.5012
Irish Punt	0.768411	0.777022	+1.12	+0.11	±1.6684
Italian Lira	1483.58	1466.23	−1.17	−1.17	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Jan. 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5230-1.5365	1.5275-1.5285	0.65-0.62c pm	4.99	1.80-1.75 pm	4.65
Canada	2.0586-2.0838	2.0650-2.0660	0.61-0.51 c pm	3.25	1.67-1.52 pm	3.09
Netherlands	3.13-3.14½	3.13½-3.14½	1½-1⅜ c pm	5.49	4⅜-4 pm	5.33
Belgium	57.54-57.93	57.70-57.80	14-9 c pm	2.39	44-35 pm	2.74
Denmark	10.51-10.56½	10.54½-10.55½	1¼-⅛ ore pm	1.07	3¼-1⅞ pm	1.07
Ireland	1.0455-1.0525	1.0465-1.0475	0.16-0.32 p dis	−2.75	0.60-1.25dis	−3.53
W. Germany	2.77½-2.79	2.78-2.79	1⅝-1½ pf pm	6.73	4⅝-4¼ pm	6.37
Portugal	215.65-216.90	216.00-216.90	140-300c dis	−12.20	280-515 dis	−7.35
Spain	196.14-197.31	196.55-196.85	10-45 c dis	−1.68	50-100 dis	−1.53
Italy	1973½-1984¼	1979¾-1980¾	3 par lire pm	0.91	3 pm-1 dis	0.20
Norway	10.74¼-10.82	10.77-10.78	3¼-4⅝ ore dis	−4.39	12¾-14¼ dis	−5.01
France	9.25¾-9.31½	9.29-9.30	2⅛-1⅝ c pm	2.42	5¼-4⅞ pm	2.07
Sweden	9.92½-9.98	9.96-9.97	1⅞-¾ore pm	1.58	3⅜-1¾ pm	0.98
Japan	232¼-234	232¾-233¼	1½-1¼ y pm	7.07	4-3¾ pm	6.65
Austria	19.52-19.68	19.62-19.65	11-9⅝ gro pm	6.30	27¾-24¾ pm	5.35
Switzerland	2.32¾-2.34½	2.33½-2.34½	1⅝-1⅜ c pm	7.69	4¼-4 pm	7.05

Belgian rate is for convertible francs. Financial franc 58.70-58.80. Six-month forward dollar 3.36-3.31 c pm. 12-month 6.26-6.16c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Jan. 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5230-1.5365	1.5275-1.5285	0.65-0.62c pm	4.99	1.80-1.75 pm	4.65
Ireland†	1.4517-1.4645	1.4555-1.4565	1.03-0.94c pm	8.10	2.85-2.70 pm	7.61
Canada	1.3510-1.3568	1.3515-1.3525	0.20-0.23c dis	−1.90	0.53-0.58 dis	−1.64
Netherlands	2.0430-2.0610	2.0540-2.0550	0.10-0.07c pm	0.50	0.36-0.31 pm	0.65
Belgium	37.60-37.90	37.75-37.85	7-9c dis	−2.53	16-20 dis	−1.90
Denmark	6.86-6.91½	6.90¼-6.90¾	1.80-2.70 ore dis	−3.91	5.80-6.70 dis	−3.62
W. Germany	1.8110-1.8280	1.8225-1.8235	0.28-0.25pf pm	1.74	0.83-0.78 pm	1.76
Portugal	140¾-142	141½-142	150-250c dis	−17.02	350-500 dis	−12.06
Spain	128.13-129.00	128.75-128.85	65-75 c dis	−6.53	197-207 dis	−6.28
Italy	1288-1300	1295¾-1296¾	4-5 lire dis	−4.16	14-15½ dis	−4.55
Norway	7.03-7.07¾	7.05-7.05½	5.15-5.85 ore dis	−9.34	16.80-17.50dis	−9.70
France	6.04½-6.10½	6.08-6.08½	1.30-1.50c dis	−2.76	4.00-4.40 dis	−2.76
Sweden	6.48¾-6.53¾	6.52-6.52½	1.60-2.10 ore dis	−3.40	5.70-6.30 dis	−3.68
Japan	152.05-152.80	152.60-152.70	0.27-0.24y pm	2.00	0.80-0.75 pm	2.05
Austria	12.75-12.86	12.85-12.85½	1.70-1.10gro pm	1.31	3.00-1.50 pm	0.70
Switzerland	1.5210-1.5360	1.5310-1.5320	0.36-0.31c pm	2.62	0.97-0.92 pm	2.47

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.40-38.50.

EURO-CURRENCY INTEREST RATES

Jan. 26	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	10⅞-11⅛	11-11⅛	11 1/16-11¼	10 15/16-11 1/16	10 13/16-10 15/16	10¾-10⅞
U.S. Dollar	6-6⅛	6-6⅛	6⅛-6¼	6⅛-6¼	6 3/16-6 5/16	6 5/16-6 7/16
Can. Dollar	7⅝-7⅞	7⅝-7⅞	7 13/16-7 15/16	7⅝-7¾	7 13/16-7 15/16	7¾-7⅞
D. Guilder	5⅞-6⅛	5 11/16-5 13/16	5⅝-5¾	5 7/16-5 9/16	5 7/16-5 9/16	5 7/16-5 9/16
Sw. Franc	¾-1	7¾-8	3⅜-3½	3½-3⅝	3⅝-3¾	3⅝-3¾
Deutschmark	4⅜-4½	4 3/16-4 5/16	4 3/16-4 5/16	4⅛-4¼	4¼-4⅜	4 5/16-4 7/16
Fr. Franc	8¼-8½	8¼-8½	8¾-9	8¾-9	8¾-9	8⅝-8⅞
Italian Lire	9-12	10½-11	10⅞-11⅛	10¼-10¾	10⅜-10⅝	10⅜-10⅝
B. Fr. (Fin.)	8⅝-8⅞	8¼-8½	7⅞-8⅛	7⅝-7⅞	7 9/16-7 11/16	7 9/16-7 11/16
B. Fr. (Con.)	9½-10½	9-10	8⅝-9⅛	7¾-8½	8-8½	7½-8
Yen	4 11/16-4⅞	4⅝-4 13/16	4 3/16-4½	4 3/16-4¼	4 3/16-4⅜	4 3/16-4⅜
D. Krone	10⅝-11⅛	10⅝-11⅛	10⅝-10⅞	10-10½	10-10½	10-10½
Asian $ (Sing.)	3¾-4	N/A	3⅛-3½	3⅜-3½	3⅜-3½	3⅝-3¾

Long-term Eurodollars: Two years 6⅜-6½ per cent; three years 6⅝-6⅞ per cent; four years 7⅛-7⅜ per cent; five years 7¼-7½ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Jan. 26	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.528	2.785	233.3	9.295	2.340	3.140	1980.	2.066	57.75
$	0.654	1.	1.823	152.7	6.083	1.532	2.050	1296.	1.352	37.80
DM	0.359	0.549	1.	83.75	3.338	0.840	1.127	711.0	0.742	20.74
YEN	4.287	6.551	11.94	1000.	39.85	10.03	13.46	8490.	8.855	247.6
F Fr.	1.076	1.644	2.996	250.9	10.	2.517	3.378	2130.	2.222	62.13
S Fr.	0.427	0.653	1.190	99.68	3.972	1.	1.342	846.3	0.883	24.68
H Fl.	0.318	0.487	0.887	74.28	2.960	0.745	1.	630.7	0.658	18.39
Lira	0.505	0.772	1.406	117.8	4.694	1.182	1.586	1000.	1.043	29.16
C $	0.484	0.740	1.348	112.9	4.500	1.133	1.520	958.7	1.	27.96
B Fr.	1.732	2.646	4.823	403.9	16.10	4.052	5.437	3429.	3.577	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Prices lose ground

GILT PRICES retreated from early highs while US bond prices lost ground after Friday's fall in the US equity market. Initial trading in the Liffe market saw gilt prices boosted by the latest opinion poll which gave the Conservative Party a strong lead. The fall of equities in the US was ignored to start with.

However the opening price of the long gilt for March delivery failed to break through the important 116-00 level, having touched a high of 115-24 from an opening level of 115-22. In addition the market was already looking for a Conservative win and so there was little desire to run long positions as the rally ran out of steam.

Consequently prices came back quite sharply to touch a low of 114-22 before closing at 114-34 down from 115-15 on Friday.

Three-month sterling deposits acted in much the same way, opening at 89.40 for March delivery and touching a high of 89.42 before finishing at 89.36, down from 89.38. In addition sterling's retreat from early highs also eroded confidence.

US bond prices continued to fall following Friday's sharp fall in the US equity market where a 5.5 per cent fall in values occured in just one hour in the heaviest trading day on record. This obviously had an unsettling influence and the March US bond price in London fell to a low of 99-03 from an opening level of 100-01 before closing at 99-08 down from 100-26 on Friday. Three-month Euro-dollars were also weaker, closing at 93.91 for March delivery down from an opening level of 93.94 and Friday's close of 93.99.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
106	8.48	9.10	0.00	0.16
108	6.49	7.25	0.01	0.31
110	4.57	5.49	0.09	0.55
112	3.04	4.22	0.20	1.28
114	1.36	3.10	0.52	2.16
116	0.47	2.20	1.63	3.26
118	0.16	1.28	3.32	4.34
120	0.05	0.55	5.21	5.61

Estimated volume total, Calls 1,644 Puts 97
Previous day's open int. Calls 16,309 Puts 9,052

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
90	9.16	8.48	0.00	0.20
92	7.17	7.01	0.01	0.37
94	5.24	5.29	0.08	1.01
96	3.36	4.06	0.20	1.42
98	2.04	2.61	0.52	2.33
100	0.60	2.03	1.44	3.39
102	0.27	1.23	3.11	4.59
104	0.09	0.55	4.57	6.27

Estimated volume total, Calls 182 Puts 64
Previous day's open int. Calls 983 Puts 393

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Feb	Calls—Last Mar	Puts—Last Feb	Puts—Last Mar
15750	21.90	22.00	0.00	0.10
16000	19.40	19.58	0.00	0.18
16250	16.91	17.23	0.01	0.33
16500	14.44	14.95	0.04	0.55
16750	12.01	12.77	0.11	0.87
17000	9.66	10.74	0.26	1.34
17250	7.47	8.86	0.57	1.96
17500	5.50	7.18	1.10	2.78

Estimated volume total, Calls 13, Puts 2
Previous day's open int. Calls 242, Puts 151

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

[illegible]

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]

PHILADELPHIA SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]

LIFFE—EURODOLLAR OPTIONS

[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

[illegible]

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

[illegible]

THREE-MONTH STERLING £500,000 points of 100%

[illegible]

FT-SE 100 INDEX £25 per full index point

[illegible]

THREE-MONTH EURODOLLAR $1m points of 100%

[illegible]

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Latest	High	Low	Prev.
	[illegible]			100-26
				100-00

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

[illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100

[illegible]

DEUTSCHE MARK (IMM) DM125,000 $ per DM

[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100%

[illegible]

SWISS FRANC (IMM) SFr125,000 $ per SFr

[illegible]

STANDARD & POORS 500 INDEX $500 times index

[illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5280	[illegible]	[illegible]	[illegible]	1.4659

IMM—STERLING Se per £

	Latest	High	Low	Prev.
Mar.	1.5140	1.5180	1.5135	1.5155
June	1.4965	1.5030	1.4965	1.4990
Sept.	1.4790	1.4860	1.4790	1.4820

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Mar.	1.5155	1.5256	1.5150	1.5152
June	1.4990	—	—	1.4985
Sept.	1.4840	—	—	1.4835

Estimated volume 40 (47)
Previous day's open int 1002 (994)

EUROPEAN OPTIONS EXCHANGE

[illegible]

Series									Stock
HEINEKEN P	Fl.160	133	7.70	60	9.50	5	11		
HOOGOVENS C	Fl.35	124	1.90	12	3.30B	8	4.30A		Fl.32.80
HOOGOVENS P	Fl.30	126	2	14	2.70	—	—		"
KLM C	Fl.40	339	1.70	259	3.10	1	4		Fl.38.20
KLM P	Fl.40	95	3.30	74	4.50	—	—		
NAT. NED C	Fl.80	111	1.40	57	2.20	40	3.40		Fl.75.50
NAT. NED. P	Fl.70	—	—	39	1.80	—	—		
PHILIPS C	Fl.50	892	0.70	133	1.50	19	2.70A		Fl.44.10
PHILIPS P	Fl.40	418	0.70	134	1.70	—	—		"
ROYAL DUTCH C	Fl.210	1488	10.60	641	11.80	278	12.50		Fl.217.50
ROYAL DUTCH P	Fl.210	473	3	49	7.90	74	9.30		"
ROBECO P	Fl.95	28	2.70	7	3.80	—	—		
UNILEVER C	Fl.520	145	11.50	23	20	11	28.30		Fl.507
UNILEVER P	Fl.500	145	10.20	9	18.90	3	23B		"

TOTAL VOLUME IN CONTRACTS: For 26/1/87 29,028

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	11	● Charterhouse Bank	11	● Morgan Grenfell	11
Adam & Company	11	Citibank NA	11	Mnt Credit Corp. Ltd.	11
Allied Arab Bk Ltd.	11	Citibank Savings	*12.45	Nat. Bk. of Kuwait	11
Allied Dunbar & Co.	11	City Merchants Bank	11	National Girobank	11
Allied Irish Bank	11	Clydesdale Bank	11	Nat Westminster	11
American Exp. Bk.	11	Comm. Bk. N. East	11	Northern Bank Ltd.	11
Amro Bank	11	Consolidated Cred.	11	Norwich Gen. Trust	11
Henry Ansbacher	11	Co-operative Bank	*11	PK Finans. Intl (UK)	11½
ANZ Banking Group	11	Cyprus Popular Bk.	11	Provincial Trust Ltd.	12
Associates Cap Corp.	11	Duncan Lawrie	11	R. Raphael & Sons	11
Authority & Co Ltd.	11½	E. T. Trust	12	Roxburghe G'rantee	11½
Banco de Bilbao	11	Equator'l Tst C'p plc	11	Royal Bk of Scotland	11
Bank Hapoalim	11	Exeter Trust Ltd.	11½	Royal Trust Bank	11
Bank Leumi (UK)	11	Financial & Gen. Sec.	11	Standard Chartered	11
Bank Credit & Comm.	11	First Nat. Fin. Corp.	11½	Trustee Savings Bank	11
Bank of Cyprus	11	First Nat. Sec. Ltd.	11½	UDT Mortgage Exp.	§12.25
Bank of Ireland	11	● Robert Fleming & Co	11	United Bk of Kuwait	11
Bank of India	11	Robert Fraser & Ptrs	12	United Mizrahi Bank	11
Bank of Scotland	11	Grindlays Bank	‡11	Westpac B'nking Corp	11
Banque Belge Ltd.	11	● Guinness Mahon	11	Whiteaway Laidlaw	11½
Barclays Bank	11	HFC Trust & Savings	11	Yorkshire Bank	11
Benchmark Tst Ltd	11	● Hambro Bank	11		
Beneficial Trust Ltd.	12	Heritable & Gen. Tst.	11		
Berliner Bank AG	11	● Hill Samuel	§11		
Brit. Bk. of Mid. East	11	C. Hoare & Co	11		
● Brown Shipley	11	Hongkong & Shangh'	11		
Cl. Bank Nederland	11	Lloyds Bank	11		
Canada Permanent	11	Mase Westpac Ltd.	11		
Cayzer Ltd	11	Meghraj & Sons Ltd.	11		
Cedar Holdings	12	Midland Bank	11		

● Members of the Accepting Houses Committee. * 7-day deposits 6.69%. 1-month 7.03%. Top Tier—£2,500+ at 3 months' notice 10.03%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. § Mortgage base rate. § Demand deposit 6.69%. Mortgage 12¼%.

MONEY MARKETS

UK rates lower where changed

INTEREST RATES were a little lower in London yesterday in rather featureless trading. Sterling's slightly better tone helped sentiment but traders saw little prospect of an early cut in clearing bank base rates, given sterling's vulnerability in the run up to what most people see as a general election this year.

UK clearing bank base lending rate 11 per cent since October 15

Three-month interbank money was quoted at 11 1/16-10 15/16 per cent, unchanged from Friday while three-month sterling certificates of deposit eased to 10 29/32-10 25/32 per cent from 10 15/16-10⅞ per cent. Overnight interbank money traded up to a high of 11⅞ per cent before finishing at 5 per cent.

The Bank of England forecast a shortage of around £200m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £478m and the unwinding of previous sale and repurchase agreements a further £730m. These were partly offset by a fall in the note circulation of £375m and banks' balances brought forward £30m above target.

The forecast was revised to a shortage of around £100m and the Bank gave assistance in the morning of £103m through outright purchases of eligible bank bills in band 4 at 10 13/16 per cent. There was no further help in the afternoon but the Bank gave late assistance of £50m, making a total of £150m.

In Frankfurt call money was quoted at 4.00-4.30 per cent compared with 4.15-4.30 per cent on Friday. Attention remained focused on banks' ability to meet end of month requirements and the usual squeeze on funds. However much depends on the authorities' attitude towards interest rates with liquidity levels likely to be influenced by the amount of help offered by the authorities to overcome day-to-day shortages.

In Amsterdam there was speculation that the authorities would move in the near future to reduce the discount rate. The latter was left unchanged after a cut in the West German rate. On previous occasions Dutch rates have tended to move in line with changes in German rates. The Dutch authorities have already moved to cut the surcharge on part of its credit quota and also reduced the rate on special advances. Once again the authorities' decision about the relationship between interest rates in the two countries seems dependent upon the performance of the dollar.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan. 26) 3 months U.S. dollars		6 months U.S. dollars	
bid 6⅛	Offer 6¼	bid 6⅜	Offer 6 5/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate	7½	One month	5.19	Three year	6.41
Broker loan rate	7¼	Two month	5.44	Four year	6.58
Fed. funds	5⅞	Three month	5.60	Five year	6.66
Fed. funds at intervention	6⅛	Six month	5.65	Seven year	6.96
		One year	5.81	10 year	7.15
		Two year	6.24	20 year	7.48

Jan. 26	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.00-4.30	4.10-4.25	4.00-4.15	4.15-4.30	4.25-4.40	5.0
Paris	8⅜-8½	8⅛-8½	8 3/16-8 5/16	8¼-8⅜	8 3/16-8 5/16	8
Zurich	⅞-1⅛	3⅜-3½	—	3½-3⅝	—	—
Amsterdam	6-6⅛	5⅝-5¾	—	5⅜-5½	—	—
Tokyo	4.21875	4.28125	4.34375	4.34375	—	—
Milan	11¾-12¼	11½-12	—	11⅛-11⅜	—	—
Brussels	8.75	7 13/16-8 3/16	—	7⅝-7⅞	—	—
Dublin	13⅞-14⅛	13⅞-14⅛	13⅞-14⅛	13¾-14	13¼-13½	—

LONDON MONEY RATES

Jan. 26	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	11⅞-5	11⅛-11	11¼-11 1/16	11 1/16-10 15/16	10 15/16-10¾	10 13/16-10 11/16
Sterling CDs	—	—	11⅛-11 1/16	10 29/32-10 25/32	10 25/32-10 21/32	10 23/32-10 19/32
Local Authority Deposits	11-10⅞	11⅛-11	11⅛-11 1/16	11	10⅞-10¾	10⅞
Local Authority Bonds	—	—	11 3/16	11 1/16	11 1/16	11 1/16
Discount Market Deposits	11-8	10⅞	10 15/16	10 13/16	—	—
Company Deposits	9-11	11⅛	11¼	11 1/16	10⅞	10⅞
Finance House Deposits	—	—	11¼	11 1/16	10⅞	10 13/16
Treasury Bills (Buy)	—	—	10 13/16	10⅝	—	—
Bank Bills (Buy)	—	—	10 13/16	10 13/16	10⅝	—
Fine Trade Bills (Buy)	—	—	11 3/16	11⅛	10¾	—
Dollar CDs	—	—	6.15-6.10	6.10-6.05	6.10-6.05	6.10-6.05
SDR Linked Deposits	—	—	6⅜-6¼	6⅜-6¼	6⅜-6¼	6¼-6
ECU Linked Deposits	—	—	7⅞-7¾	7¾-7⅝	7⅝-7½	7 9/16-7 7/16

Treasury Bills (sell): one-month 10 11/16 per cent; three-months 10½ per cent; Bank Bills (sell): one-month 10 11/16 per cent; three months 10 9/16 per cent; Treasury Bills: Average tender rate of discount 10.5433 p.c. ECGD Fixed Finance Scheme IV reference date November 29 to December 31 (inclusive): 11.392 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11½ per cent from January 1, 1987: Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10½ per cent; one-three months 10½ per cent; three-six months 10⅝ per cent; six-nine months 10⅝ per cent; nine 12 months 10⅝ per cent; Under £100,000 10 per cent from January 23. Deposits held under Series 5 10¼ per cent. Deposits withdrawn for cash 5½ per cent.

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on January 26, 1987. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rate; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.20	Ghana	Cedi	233.861	Panama	Balboa	1.5280
Albania	Lek	10.19	Gibraltar	Gibraltar £	1.0	Papua New Guinea	Kina	1.4394
Algeria	Dinar	7.0770	Greece	Drachma	203.82	Paraguay	Guarani	366.00 / 1025.56
Andorra	French Franc / Spanish Peseta	9.2950 / 196.70	Greenland	Danish Krone	10.5500			
Angola	Kwanza	45.163	Grenada	E. Caribbean $	4.13	Peru	Inti	exc(o)21.74 / (F) 30.57 / (Fn) 27.18
Antigua	E. Caribbean $	4.13	Guadaloupe	Local Franc	9.2950			
Argentina	Austral	1.9903	Guam	U.S. $	1.5280	Philippines	Philippine Peso	30.70
[illegible]			Guatemala	Quetzal	1.5280 / [illegible]	[illegible]		

†Rate is the transfer market (controlled). ‡‡ Now one official rate. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (4) Preferential rate for Public Sector Debt and Essential Imports. (5) Preferential rate. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate. (9) Banknote rate. (10) Rate for exports. (14) Nearly all business transactions. (15) Nigeria, Auction price for dollar for January 15, 1987, 3.5369 (16) See Foreign Exchange Report.
Correction for January 19, 1987: Greece, 202.60.

LONDON SHARE SERVICE

BRITISH FUNDS

1986/87 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
100¾	97	Treas 10¼pcCv '87	99		—	—
99	92	Exch 2½pc 1987	99 xd	–⅛	2.51	—
101¼	97½	Exch. 10½pc 1987	99	+	10.51	10.92
100	93¾	Funding 6½pc 85-87	99¼	+	6.55	9.56
101¼	96	Treas. 10pc 1987	99	....	10.03	10.60
97¾	90¾	Treas 3pc 1987	97	–	3.07	8.16
104¼	99¼	Treas. 12pc 1987	101	....	11.87	10.39
99¾	92	Treas 7¾pc 1985-88‡‡	98xd	....	7.90	9.84
104	96¼	Exch 10½pc '88	100	....	10.48	10.32
102¾	95¼	Treas 9¾pc Cv '88	99	+	9.83	10.35
94¼	86¾	Transport 3pc '78-88	93½	+	3.21	7.89
102¾	93	Treas. 9½pc '88	98	+	9.64	10.38
107	98	Treas 11½pc 1989	102 xd	+	11.26	10.38
103½	93¾	Treas 9½pc Cnv 1989	98	–	9.66	10.31
92¼	82	Treas 3pc 1989	90	+	3.33	7.81
105	95	Treas 10½pc 1989	100	+	10.46	10.30
104	94¼	Exch.10pc 1989	99 xd	+	10.07	10.32
107	97	Exch 11pc 1989	101¼	....	10.84	10.33
93	94½	Treas 5pc 1986-89	90¼	+¼	5.52	8.95
110	94¾	Exch 10¼pcCv '89	101½	+	10.09	9.57
114	103	Treas 13pc 1990‡‡	106	+	12.16	10.22
108¼	97¼	Exch 11pc 1990‡‡	101 xd	....	10.78	10.22
113¼	101	Exch. 12½pc 1990	105	+	11.80	10.25
89¼	79¾	Treas. 3pc 1990	85	+¼	3.51	8.15
100	89¼	Treas 8¼pc 1987-90‡‡	95¼	+	8.64	9.86
106	93	Treas. 10pcCv 1990	99¼	+	10.08	10.24
86	76¼	Exch 2½pc 1990	82¼	+	3.04	7.95
112	99	Treas 11¾pc 1991	104	+	11.23	10.29
94¼	83	Funding 5¾pc '87-91‡‡	88	+	6.52	9.19
86¼	79	Treas. 3pc 1991e	81	–	3.68	8.22
101	95	Treas 10pc Cv '91	100	–	9.92	9.59
110¼	96	Exch. 11pc 1991	102	–	10.72	10.26
118¼	103¾	Treas 12¾pc 1992‡‡	109	–	10.63	10.24
		Five to Fifteen Years				
107¾	92	Treas 10pc 1992	99¼ xd	–	10.07	10.20
109¾	94	Treas 10½pc Cv 1992‡‡	101	–	10.38	10.21
117¼	101	Exch. 12¼pc '92	108 xd	–	11.32	10.29
123¼	106¾	Exch 13½pc 1992	113	–	11.92	10.33
108	93	Treas 10pc 1993‡‡	99	–	10.10	10.21

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

1986/87 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
102	70	Metsec 10p	78		L2.46	2.6	4.4	12.0
78½	45	Mitchell Cotts	61½	−2	1.5	2.1	3.4	15.8
128	81	Monks & Crane 10p	122		L2.7	2.9	3.1	14.9
323	210	Morgan Crucible	316	−2	↑8.5	1.5	3.8	21.0
23½	15½	Morris (W) F.A. 20p	20		—	—	—	—
169	65	Myson Grp 10p	167	−2	↑2.63	2.6	2.2	21.6
365	213	NMW Computers	235	+5	16.8	3.0	3.6	13.5
141	27	Nash Inds	133xd	+1	1.5	♦	1.6	♦
*27½	12½	Neil & Spencer 10p	16½	−½	—	—	—	—
39	28	Newman Inds 10p	36	−1	↑0.8	1.5	3.1	(27.9)
134	65	Noble & Lund 10p	89		0.7	4.5	1.1	(29.3)
158	152	Nobo Group 10p	155		h4.75	2.8	4.4	11.6
65	39	Nolton	53	+1	1.2	2.9	3.2	15.2
152	96	Norank Systems 5p	144	+1	u1.5	—	1.5	18.5
286	187	Norcros	272	−1	↑9.3	2.3	4.8	12.4
222	49	Nu-Swift 5p	222	+2	↑3.5	2.1	2.2	29.9
£356½	£228	OCE 9pc Cnv 1987-92	£282½	−10	Q9%	—	8.2	—
120	80	Oakwood Grp	120xd	+8	4.0	♦	4.7	♦
250	173	Office & Elect	189		8.5	2.9	6.3	7.7
34	26	Omnitech 1p	32		—	—	—	—
36	18	Optometrics $0.01	21		—	—	—	—
890	500	Oriflame £1	807	−3	↑28.5	2.1	5.0	15.7
10	5	Ovenstone 12½c	5		↑Q3.23c	1.9	20.0	2.6
142	85	PCT Grp 10p	135	+2	t3.2	—	4.9	—
£20½	£13¾	PLM "B" Sk25	£17¾	−¼	Q23.2%	0.3	3.5	—
255	160	Pacer Systems $0.01	168	+3	L03.84c	4.3	1.6	14.8
176	97	Pacific Dunlop $0.50	171	−2	HQ11.36c	2.1	2.8	17.2

LEISURE—Continued

1986/87 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
65½	32	Leisure Inv 10p	65½	+1	0.36	7.4	0.8	22.1
*112	58	Leisuretime Int 10p	81	+4	↑2.3	0.9	4.0	(42.9)
123	91	Lensmar	103		u2.63	3.4	3.6	11.6
98	71	Marina Dev. 50p	83	+2	R3.13	3.0	5.3	8.0
173½	143	Mecca Leisure 10p	173	−½	L4.1	♦	3.3	♦
220	96	Media Tech Int 20p	103		2.8	4.5	3.8	7.9
171	130	Medminster 10p	172	+3	6.25	1.9	5.1	14.2
232	114	Midsummer Leisure	232	+7	4.0	♦	2.4	♦
220	130	Miss World 10p	180		↑5.2	3.3	4.1	10.4
90	62	Nationwide Leisure	72½	+1½	(3.75)	2.5	7.3	(9.6)
17	8	Nimslo Int 20c	9½	−1½	—	—	—	—
105	35	Omnicorp Inv NZ$0.5	96		Q0.5c	8.0	0.2	68.3
294	114	Orient Ex Htls $0.125	172		—	—	—	—
90½	25	Owners Abroad 5p	58	−½	1.5	2.3	4.2	14.3
90	46	Photax (Lon.)	80		—	—	—	—
43	25½	P'dilly Radio NV 5p	38	−3	2.0	♦	7.8	♦
78	25½	Pineapple 10p	72½		—	—	—	—
391	280	Pleasurama 5p	382		↑7.5	3.6	3.2	12.4
178	136	Do. 7pcCvCmRedPf	152		7%	—	6.5	—
157	94	Prestwich	115		0.85	6.9	1.0	19.5
51	18	Radio City 'A' NV	51	+1	—	—	—	—
63	33	Radio Clyde NV	63	+2	3.5	1.6	7.8	11.1
405	322	Really Useful Grp 5p	375	+2	11.25	2.2	4.2	15.0
64	36½	Riley Leisure 10p	52½	+½	—	—	—	—
230	129	Saga Hols. 20p	176	+3	4.6	2.6	3.7	14.9
355	148	Samuelson Grp 20p	287	−3	2.4	6.5	1.6	12.2
123	69	Sangers Photo 10p	80	−4	↑2.2	1.5	3.9	24.4

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed, dealings permitted under Rule 535(4)(a).
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ¶ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ *Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.*
- ∥ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t *Indicated dividend: cover relates to previous dividend, P/E ratio* based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G *Assumed dividend and* yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. *M Dividend and yield* based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. *R Forecast* annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	66	......
Craig & Rose £1	£14¼	......
Finlay Pkg. 5p	54	+1
Holt (Jos) 25p	840	......
IoM Stm. £1	78	......
IRISH		
Fund 11¼% 1988	£97½	......
Nat. 9¾% 84/89	£93¾	......
Fin. 13% 97/02	£100¾	......
Arnotts	375	−20
CPI Hldgs	60	......
Carrol Inds	156xd	......
Dublin Gas	10	......
Hall (R. & H.)	100	......
Heiton Hldgs	31	......
Irish Ropes	146xd	......
Unidare	370	+20

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Jan 12	Jan 22	Jan 23	Feb 2
Jan 26	Feb 5	Feb 6	Feb 16
Feb 9	Feb 19	Feb 20	Mar 2

* New time dealings may take place from 9.00 am two business days earlier.

Wall Street cloud over equity sector as Gilt-edged turn easier after firm opening

The UK financial markets were thrown off their stride by Wall Street's erratic and finally bearish trend ahead of the weekend, and by the call from Japan for new talks on the US dollar. Government bonds, in a disappointing response to a new opinion poll highly favourable to the Thatcher Government, abandoned an early attempt at improvement. Equities were sharply lower, as the uncertainties over Wall Street and the pound left the multinational stocks vulnerable to profit-taking.

Share prices, sharply down from the opening, abandoned a cautious recovery when Wall Street came in with another erratic performance. Imperial Chemical Industries, Glaxo and some other recent favourites came back sharply as investors decided to take their recent profits. But overall, there was little significant selling pressure.

At the close, the FT-SE 100 index was down 13.5 at 1781.80. The FT ordinary index, which touched its previous peak on Friday, gave back 14.7 to 1411.2.

With the exception of the insurance sector, which continued to move ahead as the City awaited the 1986 results season, due shortly, major stocks were on the downward path.

Turnover of 1.8m in Glaxo and 1.2m in Imperial Chemical indicated that the market was not heavily traded. Energy issues followed the downward trend, British Gas slipping back after its recent gain.

In these conditions, the new Third Market made an uneventful start. Initially, eight stocks are traded on the Third Market, which is aimed at young and growing companies. Some hope to see 120 or more companies there within a year.

A late feature was Cadbury-Schweppes, which rallied from 220p to 225p, a shade off on the day in heavy trade of 14m shares, after General Cinema of the US confirmed recent rumours by disclosing that it has taken a stake of 8.6 per cent in the UK food market.

Gilt-edged proved a major disappointment for traders who expected bond prices to rise sharply after the latest Harris opinion poll had given the Government an eight point lead—a significant reversal from the five point lag shown in Friday's Gallup poll.

Early gains of ⅛ or so were soon lost and the second half of the session was "a washout," in the words of one market maker. Prices drifted down in a complete absence of retail interest to end with falls of ½ or so. The FT Government securities index shed 0.14 to 85.49.

Gold shares, however, showed only minor gains and saw hardly any selling despite the indication of moves to help the dollar. "We may not have seen the low of the dollar yet," commented one dealer, and his view was supported by the absence of sellers of gold shares from Europe or New York.

Composites strong

Unsettled of late by fears that substantial flood damage claims would follow the recent spell of arctic weather, Composite Insurances revived strongly. Investors found stock in short supply and double-figured gains were commonplace by the close of business. Royals, scheduled to report preliminary figures towards the end of next month, ended 23 higher at 912p, while General Accident added 20 at 884p and GRE put on 20 at 849p. Sun Allliance gained 7 at 714p and Commercial Union firmed 6 to 297p; the latter following a turnover of 3.6m shares. Elsewhere, Lloyds Broker Minet featured with a speculative rise of 6 at 262p.

Merchant banks were featured by a fresh gain of 16 to 626p in Kleinwort Benson in response to Press comment; the shares have been strong of late on far-eastern stakebuilding speculation. Hill Samuel continued to reflect hopes of a bid from FAI-Insurances and firmed 9 more at 520p and Guinness Peat hardened a penny to 91p with sentiment helped by a Barclays de Zote Wedd "buy" recommendation. Morgan Grenfell relinquished a couple of pence at 406p and Brown Shipley fell 5 to 593p. Elsewhere, nearly 9m TSB shares changed hands and the close was a fraction easier at 79½p; the bank reveals its first set of figures since its flotation on Thursday. Barclays drifted 5 down to 529p and NatWest ended 7 cheaper at 577p.

Breweries were one of the few more resilient sectors. Leading issues closed just a penny or so cheaper on the day with Bass at 779p and Allied-Lyons at 337p. Scottish and Newcastle were sold by frustrated bid speculators and lost 6 to 208p, while Wolverhampton and Dudley were quoted ex the scrip issue at 289p. Guinness eased in the early stages but later recovered to 278p for a small net gain on balance.

Recently buoyant leading Buildings adopted a more cautious stance. Occasional selling and a lack of fresh demand left prices a few pence lower overall, with Blue Circle 5 off at 683p and BPB Industries displaying a similar loss at 568p. George Wimpey eased 2½ to 212½p and Barratt Developments came back 6 to 168p following "take profits" advice, while Bryant Holdings fell 10 to 164p pending the result of the English China Clays offer for the company; ECC's offer closes today and the outcome is expected to be very close. F. J. C. Lilley, 3 up at 46p, attracted support as the company confirmed the possible disposal of certain businesses not seen as essential to its core construction operations, while Chessminster added a penny to 32p on suggestions that the company may soon announce a couple of US deals. Eve Construction firmed 5 to 117p following the interim results, but Ward Holdings, a particularly good market last Friday, shed 11 to 351p following profit-taking.

ICI, a rising market of late reflecting currency influences, encountered light profit-taking behind a volatile Wall Street and settled ⅛ off at £12$\frac{1}{16}$.

Burton rally

Burton rallied strongly to 260p bid before closing 10 higher at 260p on a turnover of over 13m shares, following the company's further denial that it is to be investigated by the DTI. Other leading retailers, however, drifted lower in moderate trading. Marks and Spencer relinquished a couple of pence at 196p and Storehouse cheapened the same amount at 269p. Elsewhere, W. H. Smith lost 6 to 300p ahead of tomorrow's interim results, but Cantors "A" rose 6 to 172p in response to the higher interim profits. Lanca gained 5 at 51p after Press comment, while improvements of 7 and 22 respectively were seen in Jacques Vert, 193p, and N. Brown, 445p. Among Shoe concerns, Strong and Fisher improved 6 to 160p following revived speculative support.

Plessey fell 8 to 199p following a profits downgrading by brokers Phillips & Drew. British Telecom cheapened 2 to 216p on consideration of the company's current labour problems. Secondary Electricals featured a fall of 32 to 391p in Oxford Instruments on further disappointment with the recent abortive merger talks with UEI, 5 off at 365p. D. J. Security Alarms, on the other hand, jumped 17 to 108p on news of the share exchange bid from Britannia Security. Details of the sale of certain assets to Jensen and Partner helped Berland recover 5 at 116p, while Jones Stroud put on 10 at 280p and Wayne Kerr gained 9 at 85p. Applied Holographic rose 3 to 361p following the reduced half-year loss.

Among Engineers, GKN came under selling pressure and gave up 13 to 289p, but other losses in the leaders were relatively modest. Adwest fell 18 to 645p as profit-taking developed after last week's strong advance on hopes that the company will benefit from the merger with Baker Perkins. TI, reflecting cautious comment following the sale of its Raleigh bicycle interest, gave up 12 to 537p. Profit-taking clipped 10 from Glynwed at 352p, but satisfactory preliminary figures left Habit Precision 2½ dearer at 105½p.

Profit-taking was evident in the Food sector, some of the recent favourites coming off quite sharply. Food Retailers, consistently hitting new peaks last week, turned easier. Tesco gave up 11 at 424p and J. Sainsbury 5 to 434p. Argyll shed 10 to 356p following a reappraisal of the Safeway Stores acquisition. Hillards shed a few pence to 178p despite revealing good interim figures and a confident statement.

Norfolk Capital Hotels, recently engaged in talks with Scottish and Newcastle Breweries, shed 2½ to 28½p following details of the placing of some 61m shares at 25p per share to fund the purchase of Celebrated Country Hotels for £15.3m; Scottish and Newcastle continues to hold a near 5 per cent stake in Norfolk.

Chamberlain Phipps up

Miscellaneous industrial issues provided some good features, despite the overall downward trend. Chamberlain Phipps were prominent at 130p, up 22, on news that Wardle Storeys has acquired 75,000 ordinary shares and is seeking merger discussions with the company. Lilleshall, in which John Leek recently acquired a 7 per cent stake and became chairman, met with a flurry of demand and moved up smartly to close 45 higher at 230p. Fothergill and Harvey, reflecting the profits and dividend forecast in its defence against the offer from Courtaulds, gained 10 to 278p. Press mention enlivened interest in Expamet, 8 to the good at 198p, and Cowan de Groot, 7 higher at 79p. Investment demand prompted a further gain of 8 to 333p in British Vita, while buying persisted for Pentland Industries, up 13 further at 553p. Charles Baynes hardened 43 to 29p on news thatElectra Investment Trust has increased its stake in the company to 12.03 per cent, but Rushlake's increased holding in Mitchell Cotts failed to inspire the latter which closed a shade easier at 62p. Among the leaders, international stocks came under pressure following last Friday's setback on Wall Street with Glaxo particularly vulnerable at £12⅛, down ¼. Beecham gave up 5 to 459p, while Boots became a much quieter market (some 3.4m shares changed hands) and closed 4 easier at 252p. Pilkington fell to 661p.

Leisure issues continued to attract selective buying nterest. Chrysalis were favoured and rose 11 to 191p, while Stanley Leisure firmed 4 to 205p. WSL put on 4 to 165p following speculative buying. Press comment boosted Cityvision 5 to 54p and Joseph Webb a penny to 33p.

Television issues, star performers last week on hopes of increased advertising revenue, tured easier on profit-taking, LWT easing 22 to 589p and Thames 6 to 383p. Yorkshire were 10 off at 233p and Anglia 7½p cheaper at 402½.

Quality Motor stocks succumbed to the surrounding malaise and Jaguar lost 9 to 571p while Lucas Industries reacted 12 to 531p and Dowty shed 6 further to 285p. Ford Main Dealers were one corner of the sector to resist. Hopes of increased sales intermingled with bid speculation led to a sharp gain of 16 to 201p in C. D. Brammall and smaller rises in Godfrey Davis, 7 up at 155p, and in Perry, 5 firmer at 156p. Press comment stirred up interest in BSG, slightly harder at 63½p, but profit-taking brought British Car Auction down 9 to 187p.

Associated slipped back 5 to 478p but other Newspapers emerged unscathed. Lack of stock in a small market pushed Delyn Packaging up 15 to 206p while sales promotion consultants KLP rose 7 to 292p. Ault and Wiborg, still on Sun Chemical minority bid hopes, moved higher to 110p before closing a net 3 dearer at 108p. McCorquodale gained 11 to 316p althugh controlling group Norton Opax remained at 138p. Jefferson Smurfit advanced 10 further to 415p. Advertising Agencies failed to decide on a set course. Saatchi and Saatchi came back with the general trend and settled 17 down at 780p. Charles Barker, at 130p, gave up 6 of Friday's sharp rise, but Lopex improved 8 to 141p.

Second-line Property issues displayed several bright features. Cussins attracted support ahead of a broker's presentation and gained 30 to 275p, while Southend Stadium, reflecting property development prospects, rose 22 to 366p. Press comment boosted Merivale Moore 10 to 245p and estate agents Connells 12 to 340p; the latter recently turned down a bid approach from an unnamed party, but is still thought to be vulnerable to a predator in a sector which has seen a spate of takeovers and mergers.

A report that P & O could be contemplating the sale of its stake in Stockley supported the former at 567p. Tiphook benefited from disposal of the 4.9 per cent shareholding in Mitchell Cotts, rising 30 to 315p, while revived demand lifted Ocean Transport, a recent laggard, to 255p.

Press mention touched off keen buying of Readicut and the stock rose 3 to a high of 56p. Allied Textile moved up 15 to 322p, its offer for Bulmer and Lumb was declared unconditional yesterday, while gains of around 5 were scored by Victoria Carpets, 138p, Robert H. Lowe, 156p, and Gaskell and Broadloom, 123p. Courtaulds quietened after Friday's flurry of activity and settled 2 lower on balance at 366p.

BAT Industries suffered along with most other blue chips, losing 12 to 482p, while Rothmans International gave up 5 at 179p.

Awaiting today's interim statement, Mercantile House eased to 380p. Elsewhere among Financial Trusts, Newmarket were raised 15 to 143p and Kelleck improved to 45p, the latter on newspaper comment.

The Oil majors turned easier as buying enthusiasm waned following Friday's reversal on Wall Street. Prices did eventually steady, and British Petroleum closed only 5 lower at 779p. Elsewhere, Goal Petroleum touched 62p prior to closing unchanged at 60p on the announcement that Clyde Petroleum had acquired an 11 per cent stake in the company from Kleinwort Grievson Securities who in turn had purchased it from Premier Consolidated in the latter half of last week. Conroy Petroleum fell 10 to 98p following Irish selling. Ramco Oil Services gained 10 to 31p in response to newsletter comment.

A sluggish market since the scrip issue, Polly Peck got up a head of steam and extended Friday's late rise by more to 163p. Inchcape were 7 up at 545p.

The gold share market refused to be impressed by the disclosure that the Japanese Finance Minister seeks an early meeting in Washington to discuss the weakness of the US dollar. Although it is the dollar's weakness which has inspired the recent gains in bullion prices, and thus n gold shares, there was little sign of worry over the news from Japan. Prices were a shade easier but traders stressed that there was very little interest in the market.

Neither the Cape nor the US markets brought any sellers to London and although local interest was also thin, traders took the absence of sellers as a relatively bullish sign.

Vaal Reefs at £59⅞ managed to edge slightly higher, as did Driefontein at £11¼. But the FT Gold share index dipped 4.2 to 318.5, reflecting falls in Southvaal, Buffelsfontein and many other major producers.

But a firm spot on the mining sector was ConsGold which improved on its acquisition of American Aggregates, a major US gravel producer. Minorco, with a 28 per cent stake in ConsGold, improved in sympathy.

Traded Options

Interest in Traded Options was at a fairly low ebb with only 31,682 deals done comprising 24,308 calls and 7,374 puts. Gussies "A" were suddenly popular, recording 4,859 calls and 375 puts, while Cadbury Schweppes recorded 1,212 calls on the day tha General Cinema Corporation of the US revealed an 8.3 per cent stake in the foods group.

Traditional Options

- First dealings
  Jan 19 Feb 2 Feb 16
- Last dealings
  Jan 30 Feb 13 Feb 27
- Last declaration
  Apr 23 May 7 May 28
- For Settlement
  May 5 May 18 June 8

For rate indications see end of Unit Trust Service

Active trading conditions persisted in traditional options. The long list of stocks dealt in for the call included TV-am, Burton, Ferranti, Amstrad, Eglinton, Jaguar, J. Williams, Border TV, Squirrel Horn, Mrs Fields, J. Israel, Wordplex, LASMO, BBA, Hyman, Pentland, Folkes N/V, British Land, Armour Trust, Ward Holdings, Telemetrix, Johnson and Firth Brown, STC, Hobsons, Sound Diffusion, Mellerware, and British Benzol. Puts were arranged in Argyle Group, Pleasurama and Amstrad, while double options were transacted in Eglinton and London Securities.

FINANCIAL TIMES STOCK INDICES

	Jan. 26	Jan. 23	Jan. 22	Jan. 21	Jan. 20	Year-ago	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs	85.49	85.63	85.74	85.80	85.53	80.61	94.51 (18/4/86)	80.39 (20/1/86)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.75	91.61	91.78	91.71	91.65	86.70	97.68 (7/7/86)	86.55 (23/1/86)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,411.2	1,425.9	1,404.1	1,386.7	1,399.0	1,139.4	1,425.9 (3/4/86)	1,094.3 (14/1/86)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	318.5	322.7	323.8	328.0	335.4	357.0	357.8 (22/9/86)	185.7 (18/7/86)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.03	4.00	4.07	4.12	4.09	4.53				
Earnings Yld.%(full)	9.47	9.37	9.54	9.66	9.59	11.01				
P/E Ratio (net) (*)	12.94	13.08	12.84	12.68	12.78	11.30				
SEAQ Bargains (5 pm)	37,845	43,119	36,066	34,294	38,294	—				
Equity Turnover (£m)	—	1,386.26	1,538.28	1,184.17	1,244.47	668.20				
Equity Bargains	—	53,620	43,569	45,651	50,127	25,872				
Shares Traded (ml)	—	566.3	560.4	441.7	482.9	273.7				

S.E. ACTIVITY

Indices	Jan. 23	Jan. 22
Gilt Edged Bargains	142.3	161.6
Equity Bargains	347.4	282.3
Equity Value	2802.07	3109.27
5-Day Average		
Gilt Edged Bargains	148.8	145.0
Equity Bargains	325.9	326.5
Equity Value	2645.4	2795.5

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
—	1416.5	1411.5	1407.1	1409.8	1411.0	1411.1	1408.5

Day's High 1416.5. Day's Low 1407.1

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=12.47.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986-87

NEW HIGHS (281)

BRITISH FUNDS (1), AMERICANS (1), CANADIANS (6), BANKS (5), BUILDINGS (7), CHEMICALS (4), STORES (10), ELECTRICALS (9), ENGINEERING (6), FOODS (9), HOTELS (2), INDUSTRIALS (46), INSURANCE (1), LEISURE (12), MOTORS (7), NEWSPAPERS (4), PAPER (9), PROPERTY (13), SHIPPING (2), SHOES (4), TEXTILES (5), TRUSTS (32), OILS (1), MINES (3).

NEW LOWS (6)

CANADIANS (1), Hudson's Bay; BREWERS (1) Invergordon; CHEMICALS (1), Morceau; INDUSTRIALS (2), Beaverco, Hollis 252pcLn.; PAPER (1), Millward Brown.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 6 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	3,900	140xd	−1	Ladbroke	488	394	−3
Allied Lyons	425	337	−4	Land Securities	1,600	342	−1
Amstrad	3,700	148	+1	Legal & Gen.	754	266	−1
Assoc. Brit. Foods	748	312	—	Lloyds Bank	673	492	−5
BAT	2,500	482	−12	Lonrho	610	257	−2
BET	286	483	−5	Marks & Spncr	2,900	195	−2
BPB Inds	1,500	568	−5	Midland Bank	1,300	599	−5
BOC	615	398xd	−½	NatWest Bank	1,600	577	−7
BTR	1,600	275	−3	Pearson	2,600	582	+6
Barclays	419	529	−5	P & O	781	567	−1
Bass	213	780	—	Pilkington Bros	2,800	661	−12
Beecham	1,500	459	−5	Plessey	8,200	199	−8
Blue Circle	83	683	−5	Prudential	570	842	+8
Boots	3,500	252	−4	Racal	6,700	199	−3
Brit. Aero	1,000	579	−9	Rank Org.	298	581	−4
Brit. Gas	32,000	69	−1¼	RHM	374	292	+1
Britoil	1,100	187½	−1½	Reckitt & Col	262	930	+11
BP	3,800	779	−5	Redland	683	439	−1
Brit. Telecom	6,400	216	−2	Reed Intl	393	350	−5
Burton	12,600	260	+10	Reuters	185	588	−4
Cable & Wire	1,300	349	−4	RTZ	240	747	−2
Cadbury Schwps	16,000	225	−2	Rowntree Mac.	1,000	464	−2
Coats Viyella	827	546	−3	Royal Insurance	1,500	912	+23
Comm. Union	3,700	297	+6	STC	972	190	−3
Cons. Gold	1,800	760	+11	Saatchi & Saatchi	352	780	−17
Cookson	712	533	−3	Sainsbury	278	434	−5
Courtaulds	920	366	−2	Scott & Newcastle	818	208	−6
Dee Corp.	3,400	224xd	−1	Sears	521	124	−½
Dixons Grp	634	312xd	−1¼	Sedgwick	830	332	−1
Fisons	699	596	−2	Shell Trans	3,300	£10⅞	—
Gen. Accident	583	884	+20	Smith & Nephew	2,806	139½	+2½
Gen. Elect	2,900	194xd	−3½	Standard Chart.	188	782	−2
Glaxo	1,800	£12⅛	−¼	Storehouse	1,200	269	−3
Granada	496	331	+1	Sun Alliance	697	714	+7
Grand Met.	1,100	464	−4	TSB	8,700	79½xd	−⅜
Gus "A"	260	£11⅛	—	Tarmac	1,000	450	−2
Guardian R.E.	577	849	+20	Tesco	1,100	424	−11
GKN	2,300	289	−13	Thorn EMI	907	564	—
Guinness	2,200	278	+1	Trafalgar House	883	295	−3
Hanson Trust	4,100	144½xc	−1½	T'house Forte	2,100	197	−2
Hawker Sidd	852	513	−2	Unilever	111	£22⅝	−1/16
Hillsdown Hlgs	286	229	−4	United Biscuits	3,000	253	−4
ICI	1,200	£12$\frac{1}{16}$	−⅛	Wellcome	2,500	284	−8
Imp. Cont. Gas	1,000	582	+1	Whitbread 'A'	530	283	−1
Jaguar	404	571	−9	Woolworth	165	697	−4

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	30	71	11
Corporations, Dominion and Foreign Bonds	14	24	33
Industrials	467	532	537
Financial and Properties	146	219	221
Oils	21	36	56
Plantations	1	4	9
Mines	35	67	81
Others	47	87	47
Totals	761	1,040	995

FT-ACTUARIES INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Monday January 26 1987

FIXED INTEREST

LONDON TRADED OPTIONS

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

WORLD STOCK MARKETS

AUSTRIA

Jan. 26	Price Sch.	+ or —
Credit'nst'lt pp	2,100	......
Goesser	3,080	—20
Interunfall	12,950	—150
Jungbunzlauer	10,100	+200
Laenderbank	2,085	+10
Perlmooser	664	+19
Steyr Daimler	150	+3
Veitscher Mag	11,010	+45

BELGIUM/LUXEMBOURG

Jan. 26	Price Frs.	+ or —
B.B.L.	3,190	+40
Banq. Gen. Lux	16,000	......
Banq. Int. A.Lux	15,150	......
Bekaert	9,750	—150
Ciment CBR	4,150	+10
Cockerill	136	+1
Delhaize	2,750	......
EBES	5,090	+180
Fabrique Nat	1,810	+10
GB Inno BM	934xc	+4
GBL (Brux)	3,770	—15
Generale Bank	6,140	—50
Gevaert	6,020	—30
Hoboken	7,900	—20
Intercom	3,900	—75
Kredietbank	4,080	—60
Pan Hldgs.	10,700	......
Petrofina	9,410	+10
Royale Belge	28887.5	+5.0
Soc. Gen. Belge	3,295	—40
Sofina	12,100	—25
Solvay	8,550	—80
Stanwick Intl	230	......
Tractebel	6,350	—60
UCB	9,750	—250
Wagons Lits	5,490	......

DENMARK

Jan. 26	Price Knr %	+ or —
Baltica Skand	905	+5
Cop Handels'nk	287	+2
D. Sukkerfab	385	—7
Danske Bank	370	+3
East Asiatic	223	+6
Forenede Brygg.	950	......
GNT Hld	345	—12
I.S.S.B.	835	......
Jyske Bank	550	......
Novo Inds*	245	—5.4
Privatbanken	288	+3
Sophus Berend	845	—15
Superfos	167	+12

FINLAND

Jan. 26	Price Mka	+ or —
Amer	191	+2
KOP	46.8	—0.3
Kone	196	—2
Finnish Sugar	99	—0.8
Nokia	148.5	—0.5
Pohjola "B"	75	—1
Rauma-Repola	80	......
Stockmann "B"	143	—1
UBF "C"	30.8	+0.4
Wartsila (511)	158	—1

NETHERLANDS

Jan. 26	Price Fls	+ or —
ACF Holding	59	—1.3
AEGON	83.5	—1.5
Ahold	101.5	—5.5
AKZO	132.8	—4.2
ABN	507	—15.5
AMEV	69.7	—1.9
AMRO	86.5	—1.9
Bredero Cert.	74	—1.5
Buehrmann Tet.	50.2	—3.1
Dordtsche Pet'm	203	+0.5
Elsevier-NDU	249.5	+3.7
Fokker	56	—1.5
Gist Brocades	40.2	—1.1
Heineken	156	—3.7
Hoogovens	32.9	—0.7
Huntr Doug NN	58	—2
IHC Caland	19.5	......
Int. Mueller	67.5	......
KLM	38.2	+0.6
KNP	139	—5.5
Nat Ned Cert	76.5	—1.0
Ned Mid Bank	185	—7.5
Nedlloyd	166	—6.7
Oce Grinten	480	—2
Ommeren (Van)	35.8	—0.1
Pakhoed	66.7	—2.4
Philips	44.1	—1.3
Robeco	95.9	—1.2
Rodamco	139.9	+0.2
Rolinco	83.9	—0.9
Rorento	60.4	+0.4
Royal Dutch	217.5	+1.0
Unilever	507	—5.5
VMF Stork	23.5	—1.4
VNU	330	—12
Wessanen	75.5	—1.8
Wolters Samson	118.5	......

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

GERMANY

Jan. 26	Price Dm.	+ or —
AEG	308	—19.5
Allianz Vers	1,915	—70
BASF	252.5	—4.7
Bayer	280.5	—8.9
Bayer-Hypo	496	—21
Bayer-Verein	455	—13
BHF-Bank	499	—6
BMW	485	—18
Brown Boveri	285	—1
Commerzbank	290.5	—10
Cont'l Gummi	314	—8
Daimler-Benz	1,070	—32
Degussa	445	—14
D'sche Babcock	224	—2
Deutsche Bank	756.5	—23
Dresdner Bank	372.0	—18.5
Feld-Muehle Nbl	283	—5.9
Henkel	473	—7
Hochtief	1,010	—36
Hoechst	245	—7
Hoesch werke	109	—4.9
Holzmann (P)	545.5	—4.5
Horten	228	—4
Hussel	620	—8
Karstadt	469.5	—5.5
Kaufhof	527.5	+3.5
KHD	150.1	—8.9
Kloeckner	60.5	—0.5
Linde	675	—11
Lufthansa	174	—3
MAN	158	—7
Mannesmann	161.3	—8.7
Mercedes Hld	892	—26
Metallgesell	275	—17.5
Muench Rueck	2,225	—65
Nixdorf	725	—16
Porsche	950	—35
Preussag	185.5	—3.5
Rhein West Elect	225.5	—5.5
Rosenthal	319	—7
Schering	630	—15
Siemens	685	—20
Thyssen	115.3	—5
Varta	380	—20
Veba	259	—8
V.E.W.	156	—1.5
Verein-West	475	......
Volkswagen	376.5	—12.5

ITALY

Jan. 26	Price Lira	+ or —
Banco Com'le	25,810	......
Bastogi-IRBS	558	—22
Centrale	3,595	......
C.I.R.	6,750	......
Credito Italiano	3,325	......
Fiat	13,900	—100
General Assicur.	134,600	—250
Italcementi	72,800	......
La Rinascente	1,020	+13
Montedison	2,950	—55
Olivetti	12,801	......
Pirelli Co	7,250	+5
Pirelli Spa	5,080	+19
Saipem	4,627	......
Snia BPD	4,840	+2
Toro Assic	31,500	......

FRANCE

Jan. 26	Price Frs.	+ or —
Emprunt 4½% 1975	1,535	......
Emprunt 7% 1973	8,001	......
Accor	555	+1
Air Liquide	724	+4
BIC	757	—9
Bongrain	2,440	—40
Bouygues	1,275	—1
BSN Gervais	4,725	—5
CIT Alcatel	2,350	—70
Carrefour	3,850	+20
Club Mediter'n	692	—32
Cie Bancaire	1,168	—17
Cofimeg	401	—3
Damart	2,400	—25
Darty	498	+5
Dumez S.A.	2,185	+5
Eaux (Cie Gen)	1,498	+38
Elf Aquitaine	338	—2
Essilor	3,740	—10
Gen.Occ'dentale	1,224	—4
Imetal	103.3	—0.5
Lafarge Coppee	1,465	+17
L'Oreal	3,998	+18
Legrand	5,540	+50
Maisons Phoenix	194	—2.4
Matra S.A.	2,480	......
Michelin B	3,177	+7
Midi (Cie)	1,734	......
Moet-Hennessy	2,200	—19
Moulinex	103	—3
Nord Est	205	+1.1
Pernod Ricard	1,041	—14
Perrier	805	+18
Petroles Fra.	449.5	+0.5
Peugeot S.A.	1,310	—18
Printemps (Au)	561	—15
Radio tech	1,215	—5
Redoute	3,000	—2
Roussel-Uclaf	1,611	+10
Sefimeg	493	+21
Skis Rossignol	1,485	+15
Telemec Elect	3,495	—10
Thomson (CSF)	1,625	—5
Valeo	520	—8

NORWAY

Jan. 26	Price Kroner	+ or —
Bergens Bank	180.5	—3.5
Borgeaen B	285	......
Christiania Bank	193	—1
Den Norske Cred.	173.5	......
Elkem	86	—0.5
Kosmos	135	+1
Kvaerner	179	—1
Norcem	117	......
Norsk Data	234	+3.5
Norsk Hydro	139.5	—2
Orkla-Borregaard	371	......
Storebrand	300	......

SPAIN

Jan. 26	Price Pta %	+ or —
Bco Bilbao	1,620	......
Bco Central	1,105	+10
Bco Exterior	465	+20
Bco Hispano	600	+8
Bco Popular	1,700	—15
Bco Santander	1,131	+16
Bco Vizcaya	1,895	+51
Banesto	830	......
Dragados	812	—7
Hidrola	102.5	—1.7
Iberduero	155	—6
Petroleos	545	—30
Telefonica	175.7	—3.8

SWEDEN

Jan. 26	Price Kronor	+ or —
AGA	255	—5
Alfa-Laval B	275	+1
ASEA (Free)	300	—2
Astr (Free)	525	—5
Atlas Copco	150	......
BeijerA.B.	138	+2
Cardo (Free)	150	......
Cellulosa	253	—3
Electrolux B	283	—5
EricssonB.	194	—3
Esselte	128	+1
Mo och Domsjo	237	+2
Pharmacia	201	—5
Saab Scania Free	670	—10
Sandvik	145	......
Skandia	112	—4
Skan Enskilda	111	......
SKF	327	—1
StoraKopparbrg	275	—1
Sven. Handlsbkn	598	+2
Swedish Match	425	......
Volvo B (Free)	275	—8

SWITZERLAND

Jan. 26	Price Frs.	+ or —
Adia Intl	8,875	—25
Alusuisse	605	......
Bank Leu	3,650	—25
Brown Boveri	1,800	......
Ciba Geigy	3,300	-15
do. (Part Certs)	2,300	......
Credit Suisse	3,775	-15
Elektrowatt	3,725	......
Fischer (Geo)	1,650	+20
Hoff.Roche PtCts	121,990	-125
Hoff-Roche 1/10	12,100	-25
Jacobs Suchard	8,175	-385
Jelmoli	3,925	-25
Landis & Gyr	1,780	-20
Nestle	9,475	-50
Oer-Buehrle	1,285	+30
Pargesa Hldgs	2,950	......
Pirel II	460	......
Sandoz (Br)	10,800	+300
Sandoz (Pt Cts)	1,720	-20
Schindler (Pt Cts)	700	-10
Sika	1,750	+25
Surveillance A	6,775	+25
Swissair	1,180	-20
Swiss Bank	541	-5
Swiss Reinsce	18,500	-100
Swiss Volksbk	2,650	-20
Union Bank	5,850	-40
Winterthur Inh	7,150	-50
Zurich Ins	8,325	-115

AUSTRALIA

Jan. 23	Price Aust. $	+ or —
ACI Intl	4.06	......
Adelaide Steams	13.85	+0.15
Amcor	4.4	+0.1
ANZ Group	5.76	+0.02
Ampol Pet	2.75	......
Ariadne	3.35	—0.05
Ashton	2.8	+0.05
Aust. Guarantee	3.55	......
Aust. Nat. Inds	3.2	+0.05
Bell Group	10.25	......
Bell Res	4.8	......
Bond Corp Hldgs	2.7	—0.05
Boral	4.53	+0.04
Bougainville	3.45	—0.05
Brambles Inds	7.6	+0.1
Bridge Oil	0.98	—0.02
B. H. Prop	9.38	+0.02
Burns Philp	9.3	......
CAR	7.4	—0.1
CSR	6.5	+1.95
Chase Corp	4.9	—0.4
Claremont Pet	0.95	+0.01
Coles-Myer	6.14	......
Comalco 'A'	2.55	......
Consolidated Pet	0.54	......
Costain Aust	3.08	......
Elders IXL	4.85	......
Energy Res	1.8	......

AUSTRALIA (continued)

Jan. 23	Price Aust. $	+ or —
Gen. Prop. Trust	2.78	......
Hardie (James)	4.62	+0.02
Hartogen Energy	3.25	+0.05
Herald W'yTimes	15	......
ICI Aust	3.4	......
Industrial Equity	5.5	+0.15
Jimberlana F.P.	0.45	......
Kia Ora Gold	1.0	......
Kidston Gold	8.0	......
Lend Lease	10.4	+0.1
MIM	2.35	—0.05
Mayne Nickless	4.05	......
Nat. Aust. Bank	5.84	+0.06
News	17.5	......
Nicholas Kiwi	3.80	......
Noranda (P.Pjpd)	2.1	+0.1
North Broken Hill	2.6	—0.05
Oakbridge	0.55	—0.01
Pacific Dunlop	3.9	—0.1
Pancontinental	3.36	+0.05
Pioneer Conc	3.12	—0.05
Placer Pacific	2.85	—0.15
Poseidon	6.5	+0.1
Queensland Coal	1.64	+0.02
Reckitt & Colman	6.25	......
Santos	4.5	—0.05
Smith Howard	5.1	......
Thos. Natwide	3.95	......
Tooth	6.1	—0.08
Vamgas	3.1	+0.05
Western Mining	6.32	+0.08
Westpac Bank	4.9	+0.1
Woodside Petrol	1.66	......
Woolworths	3.45	—0.1
Wormald Intl	4.1	......

HONG KONG

Jan. 26	Price H.K.$	+ or —
Bank East Asia	25.5	......
Cathay Pacific	5.6	......
Cheung Kong	37.25	—0.25
China Light	18.8	—0.3
Evergo	0.87	—0.03
Hang Seng Bank	41.0	—0.5
Henderson Land	4.35	......
HK China Gas	22.1	—0.1
HK Electric	12.1	......
HK Land	7.25	—0.1
HK Shanghai Bk	9.4	+0.05
HK Telephone	13.2	—0.4
Hutchinson Wpa	45.5	......
Indust.Equit.Pac	25.8	—0.4
Jardine Math	21.8	+0.1
New World Dev	8.0	—1.3
SHK Props	16.0	—0.3
Shell Elect	0.81	......
Swire Pac A	19.2	......
TV—B	13.2	......
Wharf Holdings	8.6	—0.25
Winsor Inds	8.9	+0.05
World Int. Hldgs	3.57	—0.03

JAPAN

Jan. 26	Price Yen	+ or —
Ajinomoto	1,950	+20
All Nippon Air	1,250	+110
Alps Electric	1,830	—70
Asahi Chem	789	—2
Asahi Glass	1,350	—50
Bank Tokyo	1,300	+70
Bridgestone	715	+15
Brother Inds	560	—8
Canon	954	—5
Casio Comp	1,300	—30
Chugai Pharm	1,430	—100
Daiei	1,550	+130
Dai-ichi Kan. Bk	3,540	+40
Dai Nippon Ink	619	—36
Dai Nippon Ptg	1,850	—30
Daiwa House	1,810	—30
Daiwa Sec	2,180	+310
Eisai	2,200	—40
Fanuc	6,560	—190
Fuji Bank	2,590	+140
Fuji Film	3,510	—20
Fujisawa	1,590	—40
Fujitsu	965	—35
F'urukawa Elect	523	+23
Green Cross	2,380	+130
Heiwa Real Est	1,500	+190
Hitachi	1,010	......
Hitachi Credit	1,840	+150
Honda	1,330	—10
Indl. Bk. Japan	5,140	—10
Ishikawajima Hr	495	+62
Isuzu Motor	318	+6
Itoh (C)	618	+26
Ito Yokado	3,810	+60
Jal	12,800	+400
Jusco	1,350	......
Kajima	1,530	+20
Kao Corp	1,710	+10
Kawasaki Steel	221	+16
Kirin	1,700	+70
Kobe Steel	203	+31
Komatsu	515	+27
Konishiroku	847	+17
Kubota	450	+50
Kumagai	1,190	—20
Kyocera	5,710	—20
Marubeni	458	+7
Marui	2,870	......
Mazda Mo'ors	362	+2
Meiji Seika	875	+30
MIE	1,910	......
M'bishi Bank	2,540	+110
M'bishi Chem	804	+25
M'bishi Corp	1,060	—20
M'bishi Elect	485	+66
M'bishi Estate	2,590	+40

JAPAN (continued)

Jan. 26	Price Yen	+ or —
MHI	546	+76
Mitsui Bank	1,600	+130
Mitsui Co	603	+20
Mitsui Estate	1,950	—20
Mitsui Toatsu	440	+18
Mitsukoshi	1,200	+20
NGK Insulators	840	—15
Nikko Sec	1,770	—110
Nippon Denso	1,480	—60
Nippon Elect	1,950	+50
Nippon Express	1,330	+100
Nippon Gakki	1,430	—110
Nippon Kogaku	795	—15
Nippon Kokan	266	+12
Nippon Oil	1,290	—20
Nippon Seiko	464	+5
Nippon Shimpan	1,200	—30
Nippon Steel	247	+30
Nippon Suisan	500	—2
Nippon Yusen	535	+53
Nissan Motor	580	+26
Nisshin Flour	925	+160
Nomura	3,380	+180
Olympus	1,040	+30
Onoda Cement	595	+25
Orient Finance	1,260	—30
Orient Leasing	4,150	......
Pioneer	2,250	—20
Ricoh	926	—54
Sankyo	1,600	—50
Sanwa Bank	2,300	+200
Sanyo Elect	381	—4
Sapporo	1,340	+70
Sekisui House	1,720	......
Seven Eleven	8,200	—150
Sharp	1,030	+10
Shimizu Constn	850	+93
Shionogi	1,650	—20
Shiseido	1,910	—50
Showa Denko	418	+30
Sony	3,130	—90
S'tomo Bank	3,010	+60
S'tomo Chem	529	+55
S'tomo Corp	997	—13
S'tomo Elect	1,690	+40
S'tomo Metal	167	+7
Taisei Corp	962	+25
Taisho Marine	1,130	+20
Taiyo Kobe Bank	950	+90
Takeda	2,550	+50
TDK	3,290	-230
Teijin	705	+25
Toa Nenryo	1,620	—70
Tokai Bank	1,480	+80
Tokio Marine	2,060	+50
Tokyo Elect Pwr.	7,890	—140
Tokyo Gas	1,120	—50
Tokyu Corp	1,400	+20
Toppan Print	1,650	—40
Toray	518	+33
Toshiba Elect	671	+62
Toyo Seikan	2,050	—60
Toyota Motor	1,850	+10
UBE Inds	296	+16
Victor	2,630	—120
Yamaha	680	+1
Yamaichi Sec	3,770	+90
Y'manouchi Phm	3,750	-210
Yamazaki	1,970	+320
Yasuda Fire	1,070	+10

SINGAPORE

Jan. 26	Price $	+ or —
Boustead Hldgs	1.42	—0.01
Gold Storage	3.60	—0.06
DBS	9.85	......
Genting	6.75	......
Haw Par Bros	3.30	—0.04
Hong Leong Fin	2.72	—0.07
Inchcape Bhd	3.00	......
Keppel Corp	2.81	—0.02
Malap Banking	5.9	......
Malay Utd. Ind	1.28	—0.01
Multi Purpose	0.43	......
OCBC	9.55	—0.05
OUB	3.22	—0.02
Public Bank	1.27	—0.03
Sime Darby	2.35	......
Singapore Air	9.70	+0.05
Singapore Press	7.9	—0.15
Straits Trading	3.80	—0.02
Tat Lee Bank	2.87	+0.01
UOB	4.28	+0.04

SOUTH AFRICA

Jan. 26	Price Rand	+ or —
Abercom	2.9	—0.05
AE & CI	16.5	......
Allied Tech	95.0	......
Anglo Am. Coal	40	+0.5
Anglo Am. Corp.	73.25	—0.50
Anglo Am. Gold	350	......
Barclays Bank	19	—0.25
Barlow Rand	19.20	+0.15
Buffeal	77	—1
CNA Gallo	3.0	......
Currie Finance	5.10	......
De Beers	40.7	+0.35
Driefontein	75.5	+0.5
F.S. Cons	52.5	......
Gold Fields S.A.	64.5	+0.75
Highveld Steel	4.9	—0.10
Malcor	17.5	......
Nedbank	6.55	—0.05
OK Bazaars	14.25	+0.15
Rembrandt	85.0	......
Rust Plat	52.5	—0.5
Safren	18.75	0.50
Sage Holdings	10.50	......
SA Brews	15.1	—0.10
Smith (CG)	31.5	......
Tongaat Huletts	9.6	+0.2

CANADA

TORONTO

Closing prices January 26

[illegible]

MONTREAL

Closing prices January 26

[illegible]

Total Sales 6,864,049 shares

Indices

NEW YORK—DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

RISES AND FALLS

[illegible]

TORONTO

[illegible]

MONTREAL Portfolio

* Indicates pre-close figure

LONDON — Most Active Stocks Monday, Jan 26, 1987

[illegible]

NYSE-Consolidated 1500 Actives

[illegible]

	Jan. 26	Jan. 23	Jan. 22	Jan. 21	1986/87 High	1986/87 Low
AUSTRALIA						
All Ord. (1/1/80)	(c)	1539.6	1534.7	1528.2	1555.6 (15/1/87)	1018.8 (2/1/86)
Metals & Mnls. (1/1/80)	(c)	—	775.6	772.6	786.0 (20/1/87)	481.1 (20/1/86)
AUSTRIA						
Creditbk Aktien (30/12/64)	218.55	214.27	214.98	216.60	288.84 (25/4)	214.27 (23/1/87)
BELGIUM						
Brussels SE (1/1/64)	4020.25	4035.56	4021.65	4027.50	4151.69 (9/12)	2788.91 (15/1/86)
DENMARK						
Copenhagen SE (3/1/83)	218.28	215.38	217.57	218.32	260.78 (18/4)	198.28 (11/11)
FINLAND						
Unitas Genl. (1975)	(u)	451.5	452.0	452.2	462.1 (15/1/87)	256.5 (2/1/86)
FRANCE						
CAC General (31/12/82)	424.9	425.3	418.8	415.6	425.3 23/1/87	267.8 (2/1/86)
Ind Tendance (31/12/86)	108.0	108.3	106.4	105.1	108.3 (23/1/87)	97.8 (2/1/87)
GERMANY						
FAZ Aktien (31/12/58)	818.10	632.84	628.27	626.87	758.98 (17/4)	583.82 (22/7)
Commerzbank (1/12/53)	1882.0	1912.3	1906.4	1892.2	2278.8 (17/4)	1782.4 (22/7)
HONG KONG						
Hang Seng Bank (31/7/64)	2484.35	2488.45	2538.84	2555.90	2614.87 12/1/87	1559.94 (18/3)
ITALY						
Banca Comm. Ital. (1972)	709.88	721.34	718.31	726.71	808.20 (20/6)	454.87 (24/1/86)
JAPAN**						
Nikkei (16/5/49)	19554.7	19458.81	19380.5	19428.2	19554.7 (26/1/87)	12881.8 (21/1/86)
Tokyo SE New (4/1/68)	1679.69	1675.26	1678.82	1675.85	1679.69 (26/1/87)	1025.85 (21/1/86)
NETHERLANDS						
ANP.CBS General (1970)	284.9	269.4	267.9	269.3	301.0 (5/9)	240.4 (5/5)
ANP.CBS Indust (1970)	(u)	255.5	258.2	260.4	303.9 (18/8)	254.0 (5/5)
NORWAY						
Oslo SE (4/1/83)	(u)	387.56	388.26	389.44	402.91 (15/1/86)	331.61 (4.8)
SINGAPORE						
Straits Times (30/12/66)	855.77	859.76	845.13	846.21	857.97 14/1/87	563.54 (28/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	2069.8	—	—	2121.0 (15/1/87)	1104.1 (21/4)
JSE Indust (28/9/78)	—	1250.0	—	—	1465.0 (15/1/87)	1018.3 (21/4)
SPAIN						
Madrid SE (30/12/85)	245.47	242.81	241.74	241.08	245.47 (26/1/87)	100.85 (3/1/86)
SWEDEN						
Jacobson & P (31/12/56)	2194.26	2217.98	2215.35	2277.55	2672.78 (7/11)	1728.57 (28/1/86)
SWITZERLAND						
Swiss BankCpn (31/12/58)	582.8	583.5	579.3	583.8	625.5 (8/1/86)	497.2 (4/8)
WORLD						
MS. Capital Intl. (1/1/70)	—	393.4	393.9	389.6	396.9 (23/1/87)	249.8 (23/1/86)

** Saturday January 24: Japan Nikkei 19,539.5. TSE 1,677.12.
Base value of all indices are 100 except Brussels SE—1,000. JSE Gold—255.7, JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors 10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financial and 20 Transports. c Closed. u Unavailable.

TOKYO — Most Active Stocks Monday, Jan 26, 1987

	Stocks Traded	Closing Price	Change on Day
Nippon Steel	254.6m	247	+ 1
Mitsubishi Heavy Ind	98.4m	546	+28
Kawasaki Steel	77.7m	221	− 2
Ishikawa-Harima Heavy Ind	58.8m	495	+ 2
Mitsubishi Electric	42.5m	485	+13
Nippon Kokan	39.2m	266	− 4
Sumitomo Chemical	28.6m	529	− 2
Mitsubishi Metal	18.4m	638	+13
Toshiba	18.3m	671	+ 1
Kobe Steel	16.8m	203	+ 3

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 41

Stock	Sales (Hunds)	High	Low	Last	Chng
[illegible]					

LONDON Chief price changes (in pence unless otherwise indicated)

RISES

All Text	322	+15
Bramall (C. D.)	201	+16
Burton	280	+10
Chamb Phipps	130	+22
Chrys	191	+11
Conn Est. Agents	340	+12
C de Groot	71	+ 7
DJ Sec Alarms	108	+17
Gen Acc	884	+20
Lanca	51	+ 5
Lilleshall	230	+45
Ramco Oil	32	+10
Royal Insur	912	+23
Southend Stad	366	+22
Tiphook	315	+30

FALLS

Argyll Group	356	−10
BAT Inds.	482	−12
Barker (Charles)	130	− 6
Brit. Car Auct	187	− 9
Bryant Hldgs.	164	−10
Conroy Pet	100	− 8
Dowty	235	− 6
GKN	289	−13
Glaxo	£12⅛	− ¼
Jaguar	571	− 9
Lucas Inds	531	−12
Oxford Inst	391	−32
Plessey	199	− 8
Saatchi & Saatchi	780	−17
TI	537	−12

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26¾	17	AAR s	.50	1.8	20	408	28	27⅛	27½	−⅝
30½	21⅞	ADT	.92	3.3		321	28¼	28	28⅛	
36⅝	17¾	AFG s	.12i	.3	11	201	36	35⅝	35⅝	−¾
34⅞	16¾	AGS			21	111	32¾	32½	32½	−¼
15	6¾	AMCA				1	6⅞	6⅞	6⅞	
62⅛	46	AMR			13	5316	59¾	58½	58⅝	−1¼
27½	24	ANR pf	2.67	9.9		6	26⅞	26	26⅞	+⅞
24¾	20¼	ANR pf	2.12	8.8		2	24	24	24	
16½	10	ARX	.71t	6.2	11	151	11⅝	11¼	11⅜	−⅛
42⅛	28¾	ASA	2a	5.0		907	40⅝	39½	40⅛	+½
18⅝	9¾	AVX		2.2		3397	15	14⅝	14⅞	−⅛
32	26	AZP	2.72	8.8	9	2366	31	30½	30⅞	−⅛
55	31⅝	AbtLb s	.84	1.6	23	3392	53⅛	52	52⅞	−¼
32	25	AccoWd	.62	2.2	18	255	28½	28	28	−⅝
14⅛	9	AcmeC	.40	3.4	22	295	12	11¾	11⅞	+¼
9¼	6⅛	AcmeE	.32b	4.3	25	22	7¾	7⅜	7⅜	−¼
23⅞	17½	AdaEx	3.42e	17.		106	20⅞	20⅜	20⅜	−⅜
16⅝	9¾	AdmM s				49	15⅛	15	15	−¼
20⅝	12⅛	AdvSys	.62t	3.3	15	92	18¾	18	18⅝	+⅛
32⅞	12⅞	AMD				3712	17¾	17	17½	+⅛
11⅞	5¼	Adobe				56	7⅞	7⅝	7⅝	−⅜
17⅝	13¾	Adob pf	1.84	11.		38	17	16¾	17	
20⅝	16⅝	Adob pf	2.40	12.		21	20⅜	20⅛	20⅛	−⅛
18⅝	11½	Advest	.12e	.9	10	223	13⅛	12⅝	13	−⅛
66¼	53	AetnLf	2.64	4.3	9	1562	61⅝	61⅛	61⅜	
54⅝	51⅛	AetL pf	3.94e	7.5		16	52⅝	52⅝	52⅝	+¼
42	18	AflPb s	.44	1.1	20	303	40¾	40	40⅜	
26¾	18¼	Ahmns	.46	2.2	7	9476	22¼	20¾	21¼	−⅝
5¾	2⅞	Aileen				32	4	4	4	−⅛
41⅞	28⅛	AirPrd s	.80	2.0	40	2103	40¾	40	40¾	+⅜

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Continued on Page 41

NYSE COMPOSITE CLOSING PRICES

Continued from Page 40

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
92	72 1/2	OhP pf	9.04	9.9		z2000	90 3/4	90 1/4	90 3/4	+1/4
33 3/4	29 5/8	OhP pr	H3.75	12.		21	30 3/4	30	30 1/8	-1/8
118 1/2	108	OhP pfA	14	12.		z100	114	113 1/2	114	+1/2
118	107 1/2	OhP pfF	14	12.		z500	115	114	115	+2 1/2
36 3/4	26 3/4	OklaGE	2.18	6.1	14	440	35 7/8	35 1/2	35 1/2	-1/2
12	8 5/8	OklaG pf	.80	7.3		z200	11	11	11	+3/8
53 1/4	37 1/4	Olin	1.80	3.3	14	949	49 1/2	48	49 1/2	-1/8
8	6 5/8	Omncre			41	132	7 5/8	7	7 5/8	+1/8
18 5/8	8 7/8	Oneida	.40	2.9	38	82	14 1/8	13 7/8	14	
38 1/4	27 1/4	ONEOK	2.56	7.0	14	x169	37	36 5/8	36 5/8	-3/8
40	27 5/8	OranRk	2.18	6.3	12	1012	34 1/2	34	34 1/2	+1/4
9 1/4	6 1/4	Orange				50	8 1/2	8 3/8	8 3/8	
4 7/8	1 1/2	Orient				72	2 1/2	2 3/8	2 1/2	-1/8
40 1/4	25 3/8	OrionC	.76	2.8		202	28 1/4	27 1/4	27 1/2	-3/4
34 1/4	25 3/4	OrionC pf	1.12	7.9		16	26 7/8	26 1/2	26 3/4	
18 1/8	10 1/4	OrionP				872	15 7/8	15 1/4	15 5/8	+1/8
11 1/2	8	Orion pr	.50	4.6		48	10 5/8	10 1/8	10 1/2	+3/8
38 1/2	23 7/8	OutbdM	.64	2.2	36	257	29 3/4	29 3/8	28 1/2	-1/2
30 1/4	18	OvShip	.50	2.5	14	665	19 5/8	19 1/4	19 5/8	+1/4
20 1/2	8 7/8	OwenCn				5002	19 1/2	17 5/8	19 1/4	+5/8
60 5/8	27 7/8	OwnIll s	.95	1.6	19	4903	60	59 5/8	59 5/8	-3/8
18 3/4	13 1/8	Oxford	.50	3.3	15	63	15	14 3/4	15	
P Q										
39 1/4	29 1/8	PHH	1.04	3.0	16	259	35	34 1/2	34 5/8	-1/8
87	47 1/8	PPG	2.16	2.6	15	1207	82 3/4	81 1/2	82	-1 1/4
17 1/2	14 5/8	PacAS	1.54	9.0		33	17 1/8	16 7/8	17 1/8	+1/8
27 1/2	19 5/8	PacGE	1.92	7.3	10	5857	26 5/8	25 7/8	26 3/8	-3/8
57 1/2	45	PacLig	3.48	6.8	38	749	51 1/2	49 7/8	50 7/8	+5/8
17 3/8	10 5/8	PacRes			8	125	14	13 7/8	13 7/8	-3/8
26 1/2	20 1/4	PacRs pf	2	8.0		80	25 1/2	25	25	-1/2
[illegible]										

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
17 1/2	11	WyleLb	.32	2.1	32	133	15 3/4	15 1/4	15 1/4	-3/8
25 3/4	15	Wynns	.80	2.9		35	20 5/8	20 3/8	20 5/8	
X Y Z										
72 1/4	48 5/8	Xerox	3	4.5	15	7144	67 5/8	65 3/4	66 3/4	-1/2
59 1/4	55	Xerox pf	5.45	9.7		7	56 5/8	56	56 3/8	
28 3/4	21 3/8	XTRA	.64	2.4		47	27	26 3/4	26 3/4	
19	13 1/2	Yorkin n				139	18	17 3/4	17 3/4	-1/2
7	2 1/4	Zapata				359	3 5/8	3 3/8	3 3/8	-1/8
43 7/8	20 3/4	Zayre s	.32	1.3	17	2186	25 1/8	24	24	-1
17	9 3/4	Zemex	.40	3.4	18	8	11 3/4	11 3/4	11 3/4	
29 7/8	17 7/8	ZenithE				989	24 1/4	23 3/4	23 7/8	-1/8
18 3/4	8	ZenLb s			68	3077	9 1/4	8 3/4	9 1/4	+3/4
22 5/8	12 3/8	Zero s	.36	2.1	18	488	17 3/8	17	17 1/8	-1/4
45 3/4	32 3/4	Zurmin	1.32	3.2	18	98	41 3/4	41 1/2	41 5/8	-3/8
10 5/8	8 1/4	Zweig	n.10e	1.1		675	9 5/8	9 1/4	9 3/8	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 39

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET
Caution greeted with relief

CAUTION prevailed on Wall Street yesterday as stock markets regained their poise after Friday's turmoil, *writes Roderick Oram in New York.*

Blue chips managed to post small gains but broader market indices showed further falls as investors took more of their recent profits particularly in second and third tier stocks. In the credit markets, government bond prices were around ½ a point lower despite a firming of the dollar.

The Dow Jones industrial average closed up 5.76 points at 2,107.28. The New York Stock Exchange Composite index was down 0.39 of a point at 153.63, the Standard & Poor's 500 was off 0.51 of a point at 269.60 and the American Stock Exchange composite index dropped 1.36 of a point to 294.09.

NYSE volume was 139.4m, the second quietest day so far this year, with declining stocks outnumbering advancing by a margin of nine to five.

The Dow Industrial average's rise was heavily influenced by a small group of stocks including Exxon, up $1¼ to $80½ after reporting lower fourth quarter earnings, 3M which rose $2 to $128¾ on higher earnings and Merck up $1 to $134. Other blue chips were mixed. American Express lost $1⅛ to $68. Chevron gained $¾ to $50¾. Du Pont was up $⅝ to $95⅝ and General Motors eased down $⅛ to $70.

Market participants were relieved by the moderate pace of trading yesterday which was very subdued in mood and volume compared with many sessions during the rally in the first three weeks of this year. They were glad of the chance to sift through conflicting views and evidence concerning Friday's unprecedented volatility and steep price fall.

Some analysts saw the turmoil as only spectacular blow off to the frenzied stock trading in recent weeks. With that correction behind them, prices will resume their steady rise because the fundamentals have not changed. There is, for example, still a lot of money waiting to be invested.

Others believed it signalled the start of a sharp correction which will push prices down considerably further before the speculative excesses are purged. Significantly, though, many of these analysts believe that prices will subsequently recover.

Whatever the aftermath, last Friday was highly memorable for the 114 point plunge in the Dow in an hour and the record New York Stock Exchange volume of 302.4 shares, fully 20 per cent up on the previous record set only six sessions before. Heavy buying by foreign institutions and individuals was given as a key factor for the fast rise in prices Friday morning. On the down side, profit taking exacerbated by extreme nervousness and the magnification effect of arbitraging between stock index futures and the underlying stocks were seen as crucial factors.

Among companies reporting higher earnings for the latest quarter, Singer gained $1¼ to $42¾, Rohm and Haas added $1½ to $40¾, Knight-Ridder lost $¾ to $48¾, Kellogg was unchanged at $57⅝ and Fireman's Fund dipped $¼ to $35¼.

Federal National Mortgage Association, a government agency which helps finance home loans, dropped $¾ to $42 on more than 1m shares. It announced plans for a worldwide flotation of 8m shares.

Baker International lost $½ to $13⅝ and Hughes Tool fell $⅝ to $10. The US Justice Department sued to block their merger on the grounds it would reduce competition in some areas of their business to unacceptably low levels.

In the credit markets, bond prices fell moderately across all maturities. A firming of the dollar yesterday would have given more support to bonds if the currency's respite from its recent sharp decline had not looked rather temporary.

The price of the 7.5 per cent benchmark Treasury long bond was off 7/16 of a point to 100 9/32 yielding 7.47 per cent. The discount rate for three-month Treasury bills rose eight basis points to 5.49 per cent, by seven basis points for six month bills to 5.42 per cent and by six basis points to 5.46 per cent for year bills.

Traders and investors have a number of major issues on their minds this week. In addition to the dollar and the prospects of a Group of Five meeting early next month, the Treasury will announce on Wednesday details of its quarterly refunding, and durable goods orders and trade deficit figures for December will be released on Wednesday and Friday, respectively.

LONDON

A BEARISH Wall Street and the effect of uncertainty over both the pound and the dollar on international stocks pulled the London equity market sharply down.

Share prices fell from the opening and a slight recovery was scotched by a further erratic performance from Wall Street. Profit taking in Imperial Chemical Industries and Glaxo pulled both stock back, ICI by £¼ to £12 11/16, but selling pressure was light in a quiet market.

The FT-SE 100 index closed down 13.5 at 1,781.8. The FT ordinary index lost 17.4 to finish at 1,408.5.

Candbury-Schweppes made a late rally from 220p to 225p, a little off on the day, in heavy trade of 14m shares after General Cinema of the US confirmed recent market rumours by disclosing it has bought an 8.6 per cent share in the UK found group.

Gilts faltered against widespread expectations of sharp price rise inthe wake of an opinion poll giving the Government an eight point lead over the opposition.

Chief price change, Page 39; Details, Page 38; Share information service, Page 36–37.

SINGAPORE

MILD PROFIT-TAKING in quiet trading depressed Singapore slightly, with traders largely reluctant to take positions ahead of the market's closure for the Chinese New Year on Thursday and Friday.

The Straits Times industrial index eased 3.81 to 935.77.

Banks were, however, fairly active. UOB, the most active stock with 1.03m shares traded, rose 4 cents to S$4.28, while trade of 835,000 DBS shares left it unchanged at S$9.85.

Several blue chips suffered: Fraser & Neave losing 15 cents to S$9.60, Singapore Press shedding 15 cents to S$7.90 and Chuan Hup finishing 8 cents down at S$2.29.

HONG KONG

LATE BARGAIN HUNTERS recouped Hong Kong's early losses but prices eased as anxiety about China's political situation continued to weaken market confidence. The Hang Seng index finished down 15.08 at 2,484.35, after drifting 30 points off at midday.

A further bearish influence was the suspension of Swire Pacific and Cathay Pacific Airways, of which it holds 54 per cent. The move fed rumours that China International Trust and Investment Corporation is ready to buy a stake in Swire at a discount. Cathay rose 10 cents to HK$5.70 before its suspension, while Swire last traded at HK$19.20 on Friday.

SOUTH AFRICA

MOST SECTORS followed gold shares gently downwards as Johannesburg traders were unable to take a lead from the hovering bullion price.

Vaal Reefs, however, moved against the trend to add R2 at R406.

Mining, platinum and diamond stocks eased, Anglo American slipping by 50 cents to R73.25, De Beers, the diamond share, by 30 cents to R40.70 and Lydenburg platinum dropping 50 cents to R44.50.

CANADA

GOLD STOCKS were all that glittered in Toronto as most other sectors gave ground in quiet trading, dealers finding few leads to follow from Wall Street.

Oil and gas shares slipped, Gulf Canada retreating from last week's gains by C$¾ to C$22. Imperial Oil Class A dipped C$1 to C$53⅛, Texaco Canada gave away C$⅛ to C$32⅜ and Shell Canada also slid C$⅝ to C$29⅝.

Montreal eased in all sectors.

TOKYO
Turbulent path to fresh peak

LARGE-CAPITAL steel and shipbuilding stocks were active in record-breaking turbulent Tokyo trading yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average jumped over 160 points in early trading, rising above 19,700 for the first time, but closed only 15.24 up at a record 19,554.72. Volume was high at 1.07bn shares, compared with Friday's 1.22bn. Advances outnumbered declines 452 to 390 with 151 issues unchanged.

The main thrust came from expectations that the Bank of Japan would decide on a cut in its discount rate this week in the wake of the West German central bank's discount rate reduction last week. Buying interest was also stirred by the continued rise on Wall Street.

Meanwhile, small-lot selling increased on reports that the Japanese central bank may be prudent enough to await the US trade figures released on Friday before deciding on a rate move.

Trading in Nippon Steel continued active, with turnover hitting record highs on nine consecutive days. The stock firmed Y4 at one stage at Y250, but finished Y1 up at Y247 on volume of 264.61m shares.

Australian share markets were closed for a national holiday

Mitsubishi Heavy Industries was traded actively with the second largest volume of 96.41m shares changing hands. After rising Y30 at one stage to Y550, the stock closed Y26 up at Y546.

Other large-capital steels also attracted buyers but their prices slipped in the afternoon. Kawasaki Steel, ranking third on the active list with 77.72m shares, eased Y2 to Y221. Nippon Kokan also slipped Y4 to Y266. Ishikawajima-Harima Heavy Industries, up Y7 at one stage, finished only Y2 up at Y495.

Heavy electrical machinery issues were also spotlighted. Mitshubishi Electric rose Y13 to Y485. Toshiba jumped an early Y19 but finished Y1 up at Y671.

Blue-chip firmed on a broad front. Matsushita Electric Industrial put on Y20 to Y1,910, NEC Y40 to Y1,950 and Toyota Motor Y30 to Y1,860. But these issues are not necessarily favoured because of uncertainties over exchange rates and trade friction.

Construction issues were out of favour. Ohbayashi Corp lost Y21 to Y999. Electric power and gas stocks were also depressed with Tokyo Electric Power falling Y110 to Y7,890 and Tokyo Gas Y30 to Y1,120.

The bond market rose early in the morning and then leveled off in the absence of fresh incentives. The yield on the bellwether 5.1 per cent, 10-year government bond due in June 1996 fell to 4.875 per cent at one stage from last Saturday's 4.910 per cent, on dealer expectations of higher prices.

But small-lot selling increased in the absence of buying support as sentiment grew that the Bank of Japan's cut in its discount rate would be delayed. In block trading on the Tokyo Stock Exchange, the yield on the benchmark bond closed unchanged at 4.910 per cent. In inter-dealer trades after the close of the market, however, the yield rose further to 4.935 per cent.

EUROPE
Frankfurt plunges after poll

EUROPEAN BOURSES closed mainly lower yesterday in sombre mood engendered by Wall Street's sharp fall on Friday, the dollar's continuing weakness and a range of domestic factors. Disappointment over the setback for Chancellor Kohl's coalition in the West German elections on Sunday also undermined some major bourses.

Frankfurt share prices plunged in a fairly active session after the expected post-election rally failed to emerge. The nervous reaction pushed the Commerzbank index down a sharp 49.5 to 1,862.8, its lowest level this year.

Analysts said the market was surprised by the Christian Democrat losses and unsettled by the advance made by the Greens. The mood was exacerbated by the strength of the D-Mark against the dollar and by fears of an imminent trade war between the EEC and the US.

However, the longer-term view was that present government policies would broadly continue following the elections and that the gains by the FDP, which wants tax cuts brought forward, could in fact benefit companies and share prices.

Blue chips were among the worst victims of yesterday's losses, with Siemens dropping DM 20 to DM 695 and taking the rest of the sector down with it. Nixdorf fell DM 16 to DM 725 and AEG was off DM 9.50 at DM 308.

Banks were also off sharply: Deutsche Bank lost DM 23 to DM 756.50, Commerzbank DM 10 to DM 290.50 and Dresdner DM 13.50 to DM 372.00. The car sector saw BMW plummet DM 28 to DM 486, while Daimler fell DM 32 to DM 1,070 and VW ended at DM 376.50, a loss of DM 11.50. Retailers, less affected by export worries, had a mixed day as Karstadt fell DM 5.50 to DM 469.50 and Kaufhof gained DM 3.50 to DM 527.50.

Bonds ended a quiet session little changed as dealers waited to see how foreign investors would respond to the elections and what the dollar would do. The Bundesbank sold DM 15.1m worth of paper after selling DM 102m on Friday in its daily market-balancing operation.

Amsterdam was depressed by Wall Street's declines after a stronger start and by disappointment at the outcome of the West German elections. The ANP-CBS General index eased 3.5 to 264.9 from Friday. Trading was mainly quiet except in internationals, where some shares found good demand.

Stable oil prices, combined with the cold weather in the US and developments in the Gulf War, helped Royal Dutch to a Fl 1.00 gain to Fl 217.50. KLM was up 60 cents to Fl 38.20, but Unilever lost Fl 6.30 to Fl 507 and Philips was off Fl 1.30 to Fl 44.10.

Fokker, which is to pay compensation to Swissair for delays in delivering eight F-100s, eased Fl 1.50 to Fl 56.

Zurich also fell on Wall Street's recent setback and continuing concern over the dollar. The West German elections had no major impact although Frankfurt's downturn helped remove the appetite of investors.

Oerlikon-Bührle, which has said it is not paying a dividend for 1986, added SFr 30 to SFr 1,285.

Paris turned lower on profit-taking after last week's strong performance and Wall Street's losses. Sentiment was dampened by a small rise in short-term money market rates and higher December unemployment figures.

Pernod-Ricard, which is strengthening its interests in Japan and China, lost FFr 14 to FFr 1,041.

Madrid moved against the trend, closing at a record high for the second session running with a gain of 0.56 in the general index to 243.47. Steels and metals led the rise, with banks and utilities also firmer.

Brussels was dampened by political uncertainty over the country's recurring linguistic dispute and the unsteady course of exchange rate movements. Chemicals suffered some of the sharpest drops with UCB down BFr 250 to BFr 9,750 while Solvay at BFr 8,650 was BFr 80 cheaper.

Bellwether Petrofina edged BFr 10 higher to BFr 9,410 in sluggish trading.

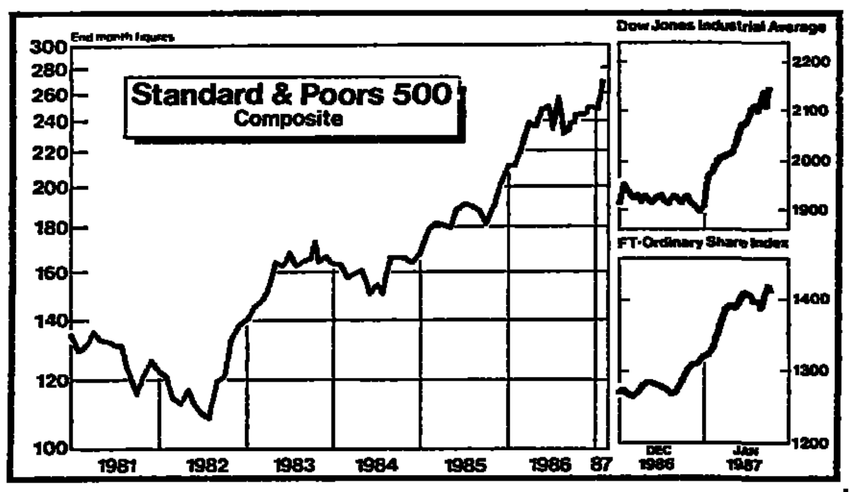
Profit-taking developed in Groupe Bruxelles Lambert after last week's gains and the holding company slipped back BFr 15 to BFr 3,770.

Milan was also unsettled due to political factors, namely the future of the Craxi coalition; technical factors – Thursday is liquidation day for options – also contributed to the softer tone.

Fiat, which is setting up a space robotics joint venture with Ericsson of Sweden, retreated L265 to L13,805.

Stockholm turned very quiet with most investors sidelined ahead of trade balance and currency flow data due out late in the day. Volvo suffered a SKr 8 decline to SKr 273, while Ericsson eased SKr 3 to SKr 194 amid its plans to form a joint venture with Fiat.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Jan 26	Previous	Year ago
NEW YORK			
DJ Industrials	2,107.14*	2,145.67	1,529.93
DJ Transport	865.67*	876.09	739.79
DJ Utilities	223.51*	227.83	171.21
S&P Composite	269.50*	273.91	206.43
LONDON			
FT Ord	1,411.2	1,425.9	1,139.4
FT-SE 100	1,781.8	1,795.3	1,392.0
FT-A All-share	889.97	896.04	679.41
FT-A 500	977.26	985.66	745.80
FT Gold mines	318.5	322.7	357.0
FT-A Long gilt	9.99	7.35	10.74
TOKYO			
Nikkei	19,554.22	19,339.48	12,904.2
Tokyo SE	1,679.69	1,677.12	1,031.15
AUSTRALIA			
All Ord.	(c)	1,539.6	1,052.9
Metals & Mins.	(c)	–	529.4
AUSTRIA			
Credit Aktien	216.64	214.27	241.240
BELGIUM			
Belgian SE	4,028.25	4,035.35	2,794.70
CANADA			
Toronto			
Metals & Minls	2,191.2*	2,212.6	2,205
Composite	3,296.8*	3,299.1	2,810.1
Montreal			
Portfolio	1,676.51*	1,673.7	1,137.67
DENMARK			
SE	216.28	215.35	216.49
FRANCE			
CAC Gen	424.90	425.3	277.3
Ind. Tendance	108.00	108.3	167.6
WEST GERMANY			
FAZ-Aktien	616.10	632.84	683.67
Commerzbank	1,862.00	1,912.3	2,057.6
HONG KONG			
Hang Seng	2,484.35	2,499.43	1,745.80
ITALY			
Banca Comm.	709.60	721.34	454.67
NETHERLANDS			
ANP-CBS Gen	264.90	268.4	100.3
ANP-CBS Ind	–	256.5	248.5
NORWAY			
Oslo SE	–	367.55	380.72
SINGAPORE			
Straits Times	935.77	939.75	596.43
SOUTH AFRICA	Jan 26	Prev	Year Ago
JSE Golds	—	2,068.0	1,253.0
JSE Industrials	—	1,250.0	1,087.2
SPAIN			
Madrid SE	243.47	242.91	108.88
SWEDEN			
J & P	2,194.26	2,217.99	1,765.59
SWITZERLAND			
Swiss Bank Ind	582.80	583.5	581.1
WORLD	Jan 23	Previous	Year ago
MS Capital Int'l	393.4	396.9	254.4

COMMODITIES

(London)	Jan 26	Prev
*Silver (spot fixing)	363.05p	361.3p
Copper (cash)	£878.00	£874.75
Coffee (March)	£1,617.50	£1,634.00
Oil (Brent Blend)	$18.30	$18.475

GOLD (per ounce)

	Jan 26	Prev
London	$407.00	$406.50
Zürich	$407.25	$403.25
Paris (fixing)	$405.04	$407.90
Luxembourg	$405.25	$404.55
New York (Feb)	$412.2 *	$405.3

CURRENCIES

	US DOLLAR		STERLING	
(London)	Jan 26	Previous	Jan 26	Previous
$	–	–	1.5280	1.5230
DM	1.82230	1.8255	2.785	2.78
Yen	152.65	153.05	233.25	232.125
FFr	6.0825	6.095	9.295	9.2825
SFr	1.5315	1.5370	2.34	2.34
Guilder	2.0545	2.0585	3.14	3.135
Lira	1,296	1,296	1,980.25	1,973
BFr	37.80	37.80	57.75	57.85
C$	1.3520	1.3590	2.0655	2.0710

INTEREST RATES

	Jan 26	Prev
Euro-currencies (3-month offered rate)		
£	11 1/16	11 1/16
SFr	3⅝	3⅝
DM	4⅝	4⅝
FFr	9	8 15/16
FT London Interbank fixing (offered rate)		
3-month US$	6¼	6 3/16
6-month US$	6 5/16	6¼
US Fed Funds	6 1/16*	5¾
US3-month CDs	5.85*	6.075
US3-month T-bills	5.45*	5.52

US BONDS

Treasury

		January 26* Price	Yield	Prev Price	Yield
6⅝	1989	99 25/32	6.226	99 29/32	6.317
7¼	1993	100 7/32	6.957	100 27/32	6.885
7¼	1996	100 22/32	7.142	101 17/32	7.027
7½	2016	100 6/32	7.478	101 19/32	7.367

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index	Jan 26 Day's change	Yield	Day's change
1–30	161.76	−0.40	6.90	+0.06
1–10	153.84	−0.16	6.59	+0.05
1– 3	143.44	+0.01	6.25	+0.04
3– 5	156.83	+0.13	6.67	+0.05
15–30	190.06	−1.19	7.90	+0.07

Source: Merrill Lynch

Corporate	January 26* Price	Yield	Prev Price	Yield
AT & T				
3⅞ July 1990	$92.217	6.45	92.334	6.400
SCBT South Central				
10⅞ Jan 1993	$106	9.558	106.125	9.534
Phibro-Sal				
8 April 1996	$100	8.0	100.50	7.920
TRW				
8⅞ March 1996	$104.5	8.04	104.50	8.041
Arco				
9⅞ March 2016	$112.25	8.709	112.755	8.668
General Motors				
8⅛ April 2016	$94.375	8.65	95.375	8.556
Citicorp				
9⅞ March 2016	$103.5	9.031	104.125	8.972

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
March	99–19	100–09	99–11	100–12
US Treasury Bills (IMM) $1m points of 100%				
March	94.69	94.73	94.68	94.73
Certificates of Deposit (IMM) $1m points of 100%				
March	n/a	n/a	n/a	94.36
LONDON				
Three-month Eurodollar $1m points of 100%				
March	93.91	93.95	93.90	93.99
20-year Notional Gilt £50,000 32nds of 100%				
March	114–24	115–24	114–22	115–15

* Latest available figures